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BBC breakfast television to start next year

By Kenneth Gosling

Breakfast television starts on BBC-1 early next year. It will be on the air from 6.30 am for about two and a half hours with a news and information service from an existing studio at Lime Grove in London.

The cost, about £5m a year, will come from the BBC's existing budget. The decision was taken 10 days ago by the board of governors, which also encouraged the television service in its plans to strengthen afternoon programmes on BBC-1.

No dipping date has been fixed for the service because its operation is subject to negotiations with the unions. But on the present timetable it is likely that BBC viewers will see breakfast programmes before the commercial service operated by TV-AM in May.

Mr Alexander Milne, managing director of BBC television and director general designate, admitted at a press breakfast at the television centre yesterday that the service had not been one of the BBC's immediate priorities.

"We intended to get around to it one day, but the Independent Broadcasting Authority's announcement of a franchise obviously made us think again."

Mr Milne said the original plan for "radiovision", a combined radio and television service, had been rejected although it was an open secret that there was a strong feeling in radio that it was a better idea. A proposal by the BBC network centre at Birmingham that a breakfast service should emanate from there was also discarded.

Mr Milne said the service could be provided extremely cheaply. The total was less than a full year's 1 per cent of the BBC's annual expenditure and at £7,500 an hour represented exceptionally good value. The average cost an hour for all output is £34,000.

About a hundred new jobs will be created, mainly in the technical area. A general manager for operations and services, Mr Philip Gilbert, has been appointed to run the "topical centre" at Lime Grove with a small management team. A programme editor has still to be appointed, as well as the presenters.

Initially the service will run on weekdays but later it may be extended to weekends and late into the morning. Its cost is expected to be met from increased commercial revenue, particularly from the new cable contract in the United States and from reorganising the BBC's resources.

It was decided to start breakfast television, Mr Milne said, because viewers should be given a choice at this time, as they were at most others. There were several million shift workers, housewives and unemployed people who would not be seen to leave this new and important area of broadcasting to the commercial sector.

A total audience of about three million is expected for breakfast television when both services are running.

NEWS IN SUMMARY

Solicitors in contempt of House

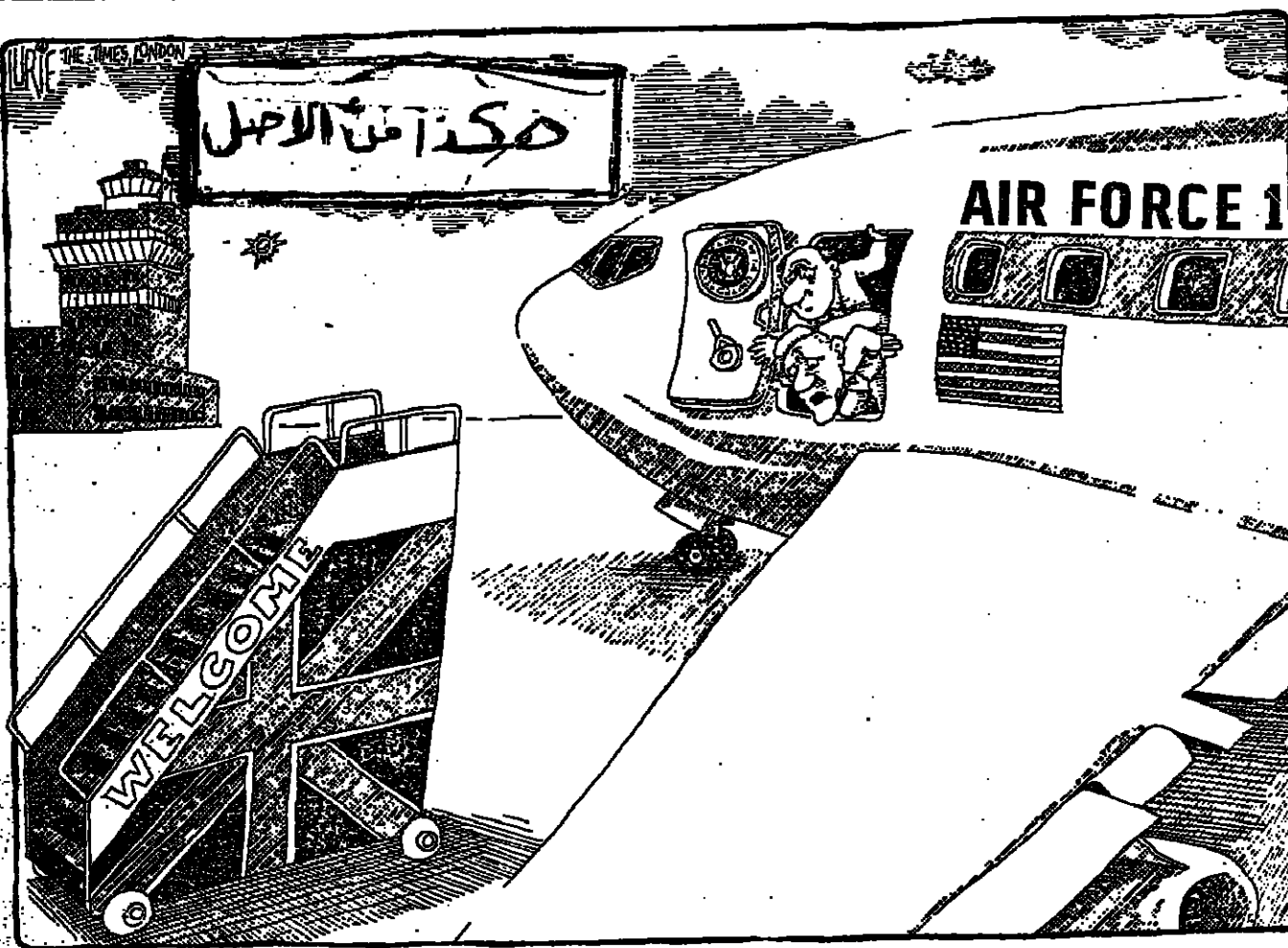
By Anthony Revins
Political Correspondent

A Liverpool firm of solicitors was found yesterday to have acted in contempt of the House of Commons. The Commons Select Committee of Privileges ruled that Messrs E. Rex Makin and Company breached parliamentary privilege in a letter to Mr Robert Parry, Labour MP for Liverpool, Scotland Exchange, last December.

But it was agreed that because the breach was marginal and because of a prompt apology issued by Mr Makin, no penal action should be taken.

The MP's complaint arose from a letter which stated that a speech made by Mr Parry in the House, implying corruption by Sir Trevor Jones, Liverpool City Council's Liberal leader, was "scurrilous, defamatory and inaccurate."

Mr Parry had criticised the council's housing policy, by reference to a report in the *New Statesman*. The Solicitors' letter said that libel proceedings had been commenced by Sir Trevor against the *New Statesman* and that unless Mr Parry took unspecified "appropriate steps" Mr Makin would seek to obtain increased damages for his client.



"Are you OK, Mr President?"

Banks fear Polish debt will last for years

From Peter Norman, Brussels, March 9

After nearly three months of military rule in Warsaw, West European bankers, owed billions of dollars by the Polish state, are now predicting that it will take at least until the end of the year for the Polish economy to return to some semblance of normality.

The quick, cynical judgments of mid-December that martial law would quickly reverse Poland's rapid economic decline and accelerate the service and repayment of the country's crippling Western debt have now been completely discarded by bankers.

So, too, has the umbrella theory, the doctrine that persuaded Western bankers to lend about \$80,000 (£45,000m) over the past decade to the Soviet Union and its Eastern block satellites, despite their obvious inefficiency, in the belief that Moscow, with its immense natural resources, would always be able to guarantee payments of interest and principal. Instead, Poland has still to pay in full the \$500m in interest it promised by the end of last year as a condition for rescheduling \$2,400m worth of commercial bank debt due in 1981.

With an estimated \$40m to \$50m outstanding, bankers can be fairly confident that the Poles will finally meet their commitments by early April. But this achievement will be clouded by the knowledge that not a penny of interest owing from the first months of this year will have been paid. Nor will anything have been done about the \$4,700m worth of debt that is waiting to be rescheduled by Western governments and banks this year.

"Even on the most optimistic assumptions, we will have to hang on for five, six or maybe eight years before the situation improves," says one Western banker.

But even if Poland were

now paying its interest on time, it would be hard-pressed to obtain new funds because of the sanctions imposed on the Warsaw military regime by some Western states.

For this reason, the arithmetic of the rescheduling exercise is looking increasingly dubious, and although Western banks now believe they can round off their 1981 accounts without too much difficulty, their problems will be that much greater in a year's time and greater still for every successive year until the Polish economy finally gets back on its feet.

For the banks there is also an unwelcome political element to any 1982 rescheduling of Polish debt. It is far from clear that Western governments will again be prepared to negotiate with the Poles in a block. Those creditor governments that are members of Nato may refuse to negotiate as part of a policy of sanctions against Warsaw, while other neutral governments such as Austria have indicated that they are keen to reach agreement.

Even without these political problems, many Western bankers fear that Poland's economy could now be in a downward spiral as Western money and imports dry up. Increasingly Poland is being forced to rely on support from the Soviet Union and its Eastern block satellites at a time when the economic crisis in Poland is dealing real damage to the Comecon group of countries.

These problems are being compounded by a virtual halt to new East block lending by Western banks, so that in West Germany some bankers would no longer be surprised if East German and other Eastern block states were to follow the Polish and Romanian examples and seek to reschedule their Western debts.

3 million sign seal petition

From George Clark, Strasbourg, March 9

The demand for a total ban on the import of seal products into the European Community, designed to end the hunting of seal pups in northern Canada, has received the backing of three million people.

However, Greenland and Norway, backing by the British Labour group, complained in Strasbourg today about the cynicism of those who had organized the campaign which attracted so many signatures for the petition presented to the European Parliament.

Representatives of the International Fund for Animal Welfare presented the petition today to Mr Piet Dankert, the president of the Parliament, and Mr Ken Collins, Labour MEP for Strathclyde, East, who is the chairman of the Parliament's environment committee.

It called for a total ban on products derived from the young of the harp and hooded seals, two species hunted off the Canadian coast and near Jan Mayen Island each spring. The petition was signed in the 10 countries of the Community, in the United States, Canada and Australia.

Mr Dankert expressed amazement at the size of the petition, which stood in a pile of boxes in the foyer of the Parliament. "I hope that this Parliament, by dealing with the issue on Thursday, will further increase the political pressure and so bring an end to the atrocities which are going on."

There seems little doubt that the resolution will be approved. It includes an instruction to the Commission to ensure that the interests of the Eskimos in the Arctic region are fairly considered and that controlled trading in the products made from endangered species should be permitted.

NEWS IN SUMMARY

Gaddafi appeals to exiles

Beirut. — Colonel Gaddafi, the Libyan leader, has invited his exiled opponents to a reconciliation meeting during his visit to Austria this week, according to the official Libyan news agency Jana.

Jana said the four-day visit would provide an opportunity for Libyans living abroad "either because of their specializations or for other reasons" to discuss with Colonel Gaddafi obstacles to their return to Libya.

In 1980, unidentified gunmen assassinated several Libyans living in Europe and the Libyan revolutionary committee called for the "physical liquidation" of opponents of the Libyan government abroad.

Women kidnap victims sold

Peking. — Women are being kidnapped and sold to men seeking wives, according to a letter broadcast by a radio station in Hubei, Central China.

Several young men had been cheated by kidnappers: "They paid their money but never received their wives." In one case five young and middle-aged commune members had bought women from abductors and married them.

Channel tunnel decision 'soon'

Strasbourg. — A decision on the Channel tunnel project is expected soon, Mr Georges Kontogeorgis, Commissioner for Transport, told the European Parliament here. A resolution calling for a European master plan for rail and road development was approved (George Clark writes).

He made no comment on the proposal put forward by Mr Ian Paisley, Democratic Ulster Unionist member for Northern Ireland, that European aid should be given to building a Channel tunnel between Larne and Stranraer.

£3m payout for wrong diagnosis

New York. — A New York hospital has agreed to pay \$5.5m (more than £3m) to an employee whose case of glaucoma was misdiagnosed as flu. The woman went blind after she was sent home from the hospital.

Miss Susie Kim, aged 45, a laboratory analyst, will get \$900,000 immediately, then \$120,000 a year for life. In addition, she will receive \$1m at intervals over the next 20 years.

Philippine protest

Manila. — About 600 women demonstrated at the Philippine National Assembly against the introduction of a Bill to legalize prostitution.

CORRECTION

In yesterday's report on the proposal for a proportional voting system for the next direct elections to the European Parliament, the figures for Labour seats were transposed. Labour won 17 seats in 1979. Under a regional list system they might have won 26.

Remand rule extended to 28 days

By Frances Gibb

The abolition of the rule that prisoners on remand must be brought before a court every eight days was agreed by MPs in the committee stage of the Criminal Justice Bill yesterday after a heated debate among the Labour members, who were divided.

Under new provisions, which have been opposed by the Law Society and the Legal Action Group of Lawyers, prisoners will be brought before a court every 28 days unless they do not consent to remand hearings taking place in their absence.

That can only occur if the prisoners are legally represented, but solicitors have argued that prisoners will spend longer periods in custody as there will be less sense of urgency to proceed with their cases. They also say that some prisoners may feel under pressure to waive their right to appear for the sake of convenience.

Mr Arthur Davidson, QC, Labour MP for Accrington, a frontbench spokesman, said the clause was a retrograde step. It was a significant change to one of Britain's cherished principles. The Government was implementing it for the sake of administrative convenience.

"As a result of this clause more people will be remanded in custody, because fewer people will appear for bail applications and be granted bail."

Dr Shirley Summerskill, Labour MP for Halifax and another frontbench spokesman, said the Law Society had feared that injustices would result from the clause and had recommended that the eight-day rule be extended only to 15 days.

Supporting the measure, Mr Alexander Lyon, Labour MP for York, said the issue was whether defendants were disadvantaged by the new clause, and in his opinion they were not. There was a considerable burden on prison staff to bring prisoners to court every eight days, which meant a drain on the prison service in its other activities within the prison.

Agreeing, Mr Robert Kilroy-Silk, Labour MP for Ormskirk, said there were adequate safeguards to protect a defendant's rights.

Mr Patrick Mayhew, Minister of State at the Home Office, said the Government would look at how the system could be monitored.



Brigadier Helen Meechie, who at 44 has become the youngest Director of the Women's Royal Army Corps. She has also been appointed honorary Aide-de-Camp to the Queen.

EX-PRISONER ON JURY HALTS TRIAL

From Arthur Osman, Coventry

A prison officer on duty at Coventry Crown Court saw a former inmate of Winson Green prison, Birmingham, on the jury which was trying a case involving a man accused of three charges of burglary. Yesterday the trial was stopped, a new jury was sworn in and the former prisoner, who said later he had served a total of 15 years, was reported for possible prosecution.

Mr Herbert John Warner, aged 54, caretaker of Stoke Aldermoor, Coventry, said outside the court: "I thought I would be in trouble if I did not go to court."

The prosecution had opened the case to the jury on which Mr Warner was sitting on Monday but no evidence had been called.

Yesterday at the start of the day's court business Mr Warner stood in the well of the court before Mr Peter Crawford QC, the Recorder. The Recorder said: "After a trial had begun in which you were sworn as a juror you agreed you were disqualified from sitting on a jury."

Move to reform law on illegitimacy

From Our Correspondent, Edinburgh

Changes in the law of illegitimacy are called for by the Scottish Law Commission in a consultative document issued yesterday.

The commission suggests that a child has no legal relationship unless one has been appointed by a court, and neither parent can appoint a guardian in a will.

Dr Eric Clive, a commissioner, said in Edinburgh yesterday that meant that if a child was injured in a road accident no one had the legal standing to raise an action for damages.

The commission proposes to change the law so that a child's mother should automatically become guardian and that the father should be able to apply to the court for guardianship.

In relation to inheritance, the commission suggests that an illegitimate relationship should be treated as legitimate. An illegitimate child would then be in a position to inherit from other than a father or mother.

The commission also pointed to difficulties in the law relating to adoption, because a father is not regarded legally as a parent and his agreement to adoption is not required.

Dr Clive said they were anxious to find a way of recognizing the position of

New Beatles drive

Beatles supporters are pressing for three Liverpool streets to be named after the group's former manager and two former members in addition to John Lennon Drive, Paul McCartney Close and George Harrison Way. Ringo Starr Drive. They want to see streets named after Brian Epstein, Stuart Sutcliffe and Pete Best.

Rampton trial date

Three nurses from Rampton hospital, Nottinghamshire, charged with ill treatment of patients are to stand trial at Nottingham Crown Court on April 14. They were committed for trial at Mansfield last month.

Holiday home hotel

Twenty-four bedrooms in the five-star cliff-top Carlton Hotel, at Bournemouth, are being turned into eight luxury suites to give owners a second holiday home until 2025. The work will cost £200,000.

No smoking holidays

Hosason's, a holiday home company, are to offer chalets for non-smokers at the Tolroy holiday village, near St Ives in Cornwall this summer. The chalets will not be let to smokers.

Confusion on Walesa angers wife

Warsaw, March 9. — Mrs Danuta Walesa, the wife of the interned Solidarity leader, reacted angrily today to a guarded government statement about her husband's temporary release to attend the christening of his daughter.

She also said that whatever happened over the christening, set for March 21 in Gdansk, she did not expect her husband to be freed for good.

Mr Sylwester Zawadzki, the Minister of Justice, told a conference yesterday that no request for the release of the interned leader for a christening had yet come under government review.

Mrs Walesa told Reuters in a telephone interview from Gdansk that Mr Zawadzki's remarks were "boorish". Stanislaw Ciosek, the Trade Union Affairs Minister, pledged that Mr Lech Walesa would be released for the baptism.

"Now it is cheeky to say that an application is required," Mrs Walesa said. "Lech will get this damned application from Bishop Czeslaw Kaczmarek (of Gdansk) and me."

Asked if the March 21 date for the baptism was final, she replied: "Yes it has been definitely and formally fixed... it will be at 3pm in our parish church at Zaspa-Gdansk."

Polish television said today that its announcers would no longer appear in military uniform.

The announcers were in civilian clothes at today's late news.

Liège cut off by big strike

From Ian Murray, Brussels, March 9

The province of Liège was virtually cut off and at a standstill today as trade unionists took to the streets, motorways and railway tracks to protest against the Government's austerity measures. Public services were shut down, and pickets stopped people going into banks, insurance offices and the university.

The strike which has shut down the steel industry in Liège and other parts of Wallonia for the past fortnight continued, while the textile and engineering industries were also disrupted.

The industrial action was called by the Socialist FGFB union, but received strong support from members of the Social Christian CSC union.

It was the most widely followed protest call since the coalition Government announced it was to introduce a series of austerity measures. The most unpopular of the Government's proposals, which are due to be adopted on Friday, are those cutting social security benefits by nearly £212m, while £125m.

These moves, aimed at eliminating the social service deficit by the end of the year, have added to union anger already sparked by both a cut back in index-linked wage increases and unemployment which, at more than 13 per cent, is easily the highest in Europe.

The trade unions in the French-speaking part of the country—which includes Liège—are particularly worried and annoyed because they represent the majority of the country's steelworkers, up to 10,000 of whom are now facing redundancy.



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Grain embargo claims spark Brussels fury

From Ian Murray, Brussels, March 9

The European Commission today responded angrily to a resolution passed last night by the European Parliament suggesting that it had undermined the embargo on grain sales to the Soviet Union imposed after the invasion of Afghanistan.

The Commission said in a statement today that the allegation was based on "figures selected without explanation." Parliament's conclusion it said "is totally wrong and such allegations could seriously damage the Community's international reputation and relations with trading partners."

Parliament's 16-point resolution expressed astonishment that the exports to the Soviet Union in 1980 had increased four fold over the average for the three previous years and by 340 times for corn exports.

The Commission was "invited" to indicate under what budgetary authority these "excessive" sales were carried out and told that in future it must present detailed and clear accounts on agricultural exports to Parliament.

In its reply, the Commission said that it "faithfully applied controls on agricultural exports to the Soviet Union throughout the period of the embargo." It issued no wheat export licences for the whole of the period. It extended the embargo to other products such as butter, beef and poultry, and it reduced the level of refunds related to exports to the Soviet Union.

"By applying these principles," the statement said, "the Commission assured full respect of the principle that Community deliveries should not replace United States' deliveries to the Soviet market."

The Commission pointed out that export licences valid for four months were issued for 576,000 tonnes of wheat and were approved before the Soviet invasion of Afghanistan. "All countries engaged in the embargo recognized at the outset that it was not feasible to stop supplies already in the pipeline at the time of the decision."

Commission officials were today wondering whether they could do anything to meet the "invitations" and "requests" in the parliamentary resolution. All the details about trade with the Soviet Union had been made

Natal court awaits the man in the floppy hat

From Michael Hornsby, Pietermaritzburg, March 9

The elderly gentleman clad only in baggy trousers and a floppy hat was busy tending his flower bed. He might have been a retired bank manager in an English suburban garden.

He was not, however, best pleased to be accosted by the man from *The Times*. "Sorry, old boy, nothing to say."

Tomorrow morning Colonel "Mad" Mike Hoare must set aside his hoe and pruning shears and appear in a red brick Victorian courthouse here together with 44 other alleged mercenaries charged with hijacking an Air India Boeing 707 aircraft after a bungled coup attempt in the Seychelles last November.

The trial is being held in the ultra-English provincial capital because Colonel Hoare and his men were arrested in Durban after their return from the Seychelles and the whole affair has been entrusted to Mr Cecil Rees, the province's Attorney General.

The South African Government caused an international outcry by initially charging only five of the alleged mercenaries. The move was defended by Mr Louis Le Grange, the Police Minister, on the ground that "running around in the bush and shooting out a few windows" was no offence under South African law. Two months later, however, Mr Rees announced that all 45 mercenaries would be charged on four counts of contravening South Africa's 1972 Civil Aviation Offences Act.

They could face sentences of up to 90 years in jail.

The affair has been deeply embarrassing for the Government which is widely suspected at best of having known of the preparations of the coup attempt but doing nothing to stop them, and at worst of having been actively involved because of its dislike of the left-wing Seychelles Government.

The latter suspicion was given some credibility by the disclosure last December that one of the South Africans captured in the Seychelles after the coup attempt was a senior officer in his country's army. Pietermaritzburg is planning to make the most of its moment in the international spotlight. Miss Pamela Reid, the Mayor, tonight gave a civic reception for the journalists who have descended on the town, and hoteliers are hoping the trial will go on for a long time.



Fighting shy: A Salvadorean soldier peers round a corner during a fierce seven-hour gunfight with left-wing guerrillas at San Vicente. At least 15 people were said to have been killed.

Crisis in Central America

New poll in Guatemala demanded

Guatemala City, March 9.—With the Government's military candidate leading the presidential race, all three opposition candidates today called for demonstrations in the main square to demand new elections.

As the slow vote count continued, Señor Anuseto Viñan of the Authentic Nationalist Centre Party, who is running last, asked his supporters to join the other candidates' protest in front of the national palace.

Señor Mario Sandoval Alarcon of the extreme right-wing National Liberation Movement and Señor Alejandro Maldonado Aguirre of the moderate conservative Democratic National Renovator coalition who are running second and third, claimed last night that the elections were rigged by the military-dominated Government. They demanded that the vote be nullified and a new election held within 60 days.

Rebels show their strength

San Salvador, March 9.—Military sources said today that at least 32 people died yesterday when left-wing guerrillas stepped up attacks on government troops around the country in a show of strength.

There were guerrilla assaults on security forces in three main cities and three military outposts were stormed in Morazan province. In another development, the Defence Ministry issued a communiqué denying that government troops had massacred civilians in villages north of here.

Over the weekend peasants in San Benito, 40 miles south-east of the capital, showed reporters 14 skulls lying in a field and two wells, claiming they were evidence of the deaths of at least 20 unarmed peasants in an Army operation earlier this year.

A spokesman for the Salvadorean Human Rights Commission said the alleged massacre was being investigated. The ministry statement said the allegations were black propaganda and claimed that guerrillas frequently dumped the bodies of their comrades and around villages to pretend that they were civilians killed by the armed forces.

Church and human rights groups say more than 32,000 people have died in El Salvador's political bloodshed since the American-backed junta took power in October, 1979.

In San Vicente, 35 miles east of the capital, residents and military sources said at least eight soldiers and five civilians were wounded in skirmishing around the city. Other reports said at least 15 people died. San Vicente residents reported that as the day's first shots were being fired guerrillas seized a radio station to urge the city's 20,000 inhabitants to support them.

Residents of Santa Ana, the nation's second-largest city, 31 miles north-west of here, also reported clashes between guerrillas and government troops but they did not know the number of casualties.

Guerrillas were also reported to have overrun three military posts in north-eastern Morazan province, a long-time guerrilla stronghold. There was no immediate confirmation from the military command in San Salvador.

The guerrilla radio station said in a midday broadcast the series of attacks on government troops around the country was "not something final but a show of force", indicating that the attacks were not part of an all-out offensive against the junta's forces.

AP. Washington: Mr Caspar Weinberger, the Defence Secretary, has indicated that America may have to undertake big changes in the deployment of force in the Caribbean if there is a communist takeover in El Salvador (Mohsin Ali writes).

Mr Weinberger, answering questions at a National Press Club luncheon here yesterday, said it would be extremely damaging to American interests in the Caribbean and to the defence of the United States "if the communists acquired another stronghold" on the mainland.

NEWS IN SUMMARY

Brezhnev welcomes Koivisto

Moscow.—President Brezhnev went to Moscow airport yesterday to welcome Mr Mauno Koivisto, the newly-elected Finnish President (Michael Binyon writes). The Soviet leader has never met Mr Koivisto before, and the Kremlin talks are more of a getting-to-know-you nature than to solve any problems between the two countries.

The Soviet Union and Finland enjoy close and cordial relations, and much of the trust built up over the past 25 years by former President Urho Kekkonen was based on his regular personal contacts with the Soviet leaders.

Before Mr Koivisto's election, the Russians expressed indirect preference for other presidential candidates, believing Mr Koivisto to be rather aloof and less amenable than his predecessor. But the Russians quickly accepted his victory and are now clearly keen to establish a working personal relationship.

China reassures trade partners

Peking.—Mrs Chen Mubua, China's new foreign trade chief, has assured Peking's trading partners that the recent government reshuffle does not mean a change in trade commitments or policies.

Agreements already signed between China and the governments of other countries will remain valid and current negotiations will continue, Mrs Chen said.

Mrs Chen, aged 61, heads a newly established Ministry of Foreign Economic Relations and Trade, an umbrella body merging four separate departments.

No Iran retreat Khomeini says

Tehran.—Ayatollah Khomeini has greeted fresh peace proposals for ending the 18-month Iran-Iraq war by saying that President Hussein Saddam of Iraq "has asked other states to serve as intermediaries to save him but Iran will not retreat an inch."

Peace proposals to the Iranian Supreme Defence Council were criticised by the council's spokesman, Hojatoleslam Hashemi Rafsanjani, who said: "The mistake was to ask the aggrieved party (Iran) to make concessions."

Ben Bella plea to Mubarak

The conduct of the Sadat assassination trial in Cairo has been criticised by Mr Ahmad Ben Bella (above) the former Algerian President who is now chairman of the London-based International Islamic Commission for Human Rights (Edward Mortimer writes).

In a statement Mr Ben Bella said his commission viewed "with great concern" the fact that the trial was held in complete secrecy and that the accused were "denied the opportunity to defend themselves fully and freely in accordance with the rules of the law and dictates of justice." He appealed to President Mubarak of Egypt to revoke the findings of the court and order fresh trials in an open civil court.

Airline to recruit doctors

Tokyo.—The Japanese Transport Ministry has advised Japan Air Lines to introduce tighter medical supervision of its crews, and to provide more doctors, including psychiatrists.

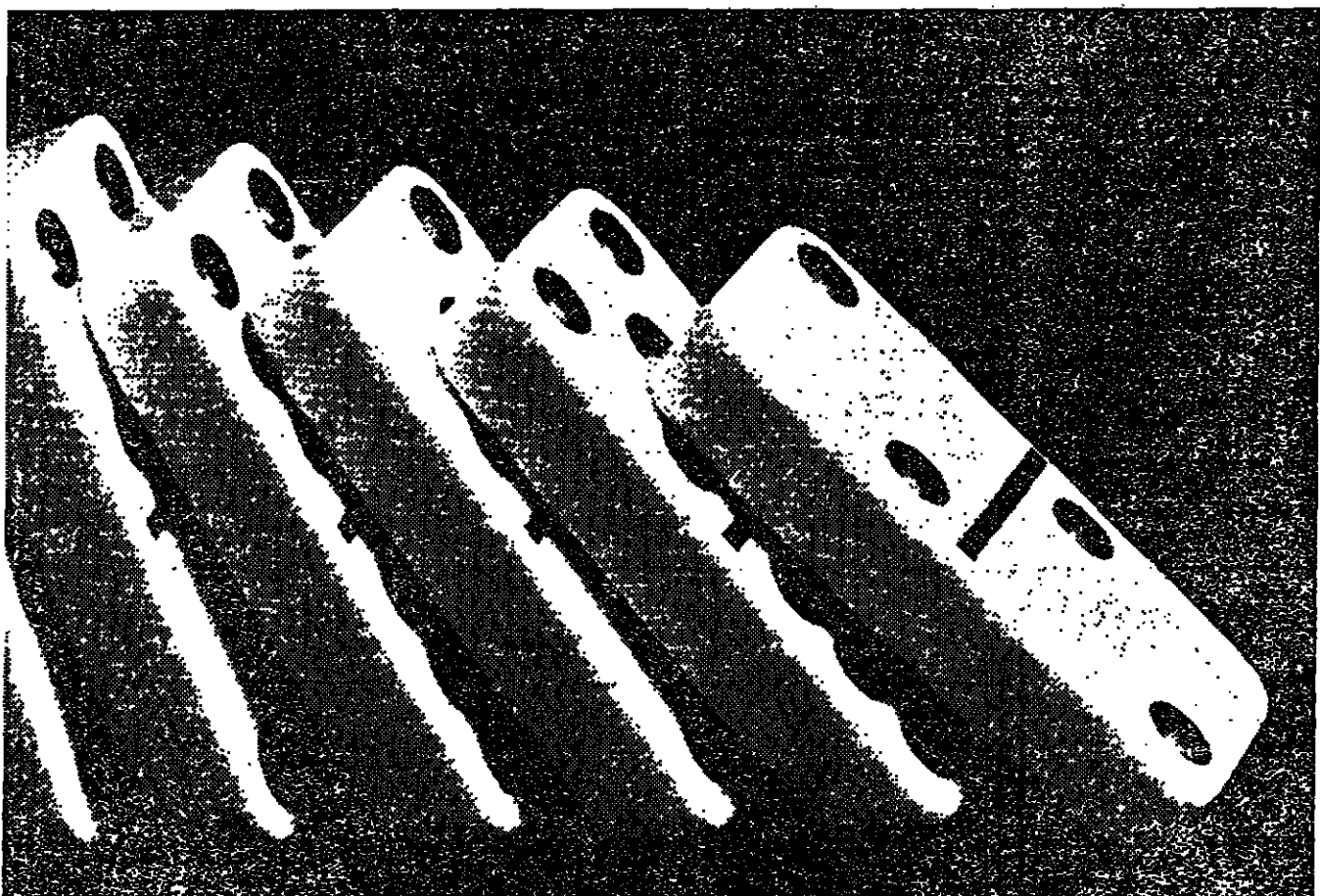
The measures were part of a series of recommendations to prevent a recurrence of the last month's Tokyo air crash, which killed 24 people and injured the remaining 150 passengers. Ministry officials said the 12 doctors employed by JAL were insufficient to deal with the airline's flight staff of more than 2,000.

Dalai Lama appeal

Delhi.—The Dalai Lama, the exiled Tibetan spiritual leader, said in a statement on the eve of the twenty-third anniversary of the Tibetan uprising against the Chinese that his countrymen should continue their struggle "broad-mindedly, peacefully and patiently."

Refugee exodus

Geneva.—A total of 2,797 refugees arrived by boat in South-East Asian countries from the Indo-Chinese mainland last month, the office of the United Nations High Commissioner for Refugees said in Geneva.



WILL BRITAIN FALL FOR THE LINE THAT INSTABILITY IN SOUTH AFRICA WOULDN'T AFFECT THE WEST?

South Africa is fully committed to a policy of stability, private enterprise and prosperity for all.

Naturally, this doesn't suit the plans of many Marxists.

They know that Britain and the West are heavily dependent on South Africa for important minerals like chrome, manganese, vanadium and platinum. They know these

materials are essential for making computers, machine tools, jet engines, gearboxes, TVs, drilling bits and defensive armaments. And they know there are no major alternative sources outside the communist bloc.

South Africa's enemies are confident that by creating instability in the Republic, they can cause disruption in the West.

South Africa

Further information can be obtained from The Director of Information, South African Embassy, South Africa House, London WC2N 5DP

Smith loses control as chief whip defects

Salisbury, March 9.—The Republican Front (RF) of Mr Ian Smith appears to have lost its control of the white seats in Zimbabwe's Parliament with the defection of another MP.

The party chairman, Mr Geoff Kluckow, said Mr John Landau, the chief whip, resigned yesterday to sit as an independent. Parliament reconvenes in June.

Mr Landau said he intended to work in close liaison with the Government, but that he would be "an independent in the true sense of the word". In a telephone interview he said he had found he did not fully agree with RF policies. "I think I have been able to adapt to change more quickly than some others."

Eight MPs quit last week to become independents, arguing the party had failed to adapt to black rule since independence. The RF, which won all 20 places reserved for whites in the 100-seat House of Assembly in Zimbabwe's independence election, has seen its representation drop to eight.

In addition to the nine rebels, Mr Wally Stuttaford is detained on suspicion of plotting a coup. A former minister, Mr Denis Walder, also wanted on a similar charge, is abroad and an ex-minister, has emigrated.

A by-election for Mr Cronje's seat, due next month, will be regarded as a test of voter opinion on the latest revolt.

Mr Robert Mugabe, the Prime Minister, has hinted that more Cabinet posts could become available for white MPs if they cut their ties with the RF, which he has accused of being rooted in a past of racial division and white supremacy.

Mr Smith was not available for comment today. Mr Kluckow said he was in South Africa fulfilling an engagement. He gave no details.—Reuter.

□ The rebellion marks a crucial point in the history of the RF which has been the outstanding, sometimes only, voice of the white community since the unilateral declaration of independence in 1965 (Stephen Taylor writes).

The rebels make no overt criticism of Mr Smith who is a symbol of the black majority of all that is detested about the past—but there are frequent asides that it would be best for "the old boy" and the party if he retired to his farm at Selukwe, a desire he has been expressing for years.

Mr Smith is important because his community has so far failed to produce an alternative leader of similar stature and because he still commands almost universal respect among the whites.

□ Supporters of Mr Mugabe and of Mr Joshua Nkomo, the Patriotic Front leader, clashed last night in the central town of Que Que where 32 people were arrested, the Ziana news agency reported today. (AFP reports).

Bonn gets US pledge on pipeline

From Nicholas Ashford, Washington, March 9

Herr Hans-Dietrich Genscher, the West German Foreign Minister, ended his two-day visit to Washington today confident that the United States would not take any further steps to disrupt the construction of the Siberian gas pipeline to Western Europe. A source close to the German delegation remarked: "The pipeline is no longer an issue. It is all over now."

However, Herr Genscher emphasized during his talks with members of the Reagan Administration that West Germany was still ready to listen to American proposals for providing European countries with energy. But he emphasized that these would not be considered as replacements for Siberian natural gas.

German officials said they expected the mission of Mr James Buckley, the Assistant Secretary of State for Security Affairs, to concentrate on Western credits to the Soviet Union when he visits Europe next week.

The Americans have been dismayed by the extremely soft terms of some European loans to communist countries, particularly a recently announced \$100m (E54m) loan by France for the construction of the pipeline. The Americans want both the terms and the duration of such loans to be tightened up.

Coup plot confidences denied

From Richard Wigg, Madrid, March 9

General Alfonso Armada told the Spanish coup court martial today that if he had intended to overthrow democracy, he would have taken command of an operational unit in Madrid on February 23 last year. He was at Army headquarters that night. Where as he put it: "We did not understand anything."

It was his turn to testify at the trial—now in its third week before the Supreme Council of Military Justice in Madrid.

Giving evidence after Lieutenant General Jaime Milans del Bosch, General Armada refused to corroborate any of the claims made yesterday in his defence by the former Valencia captain-general that he had acted jointly to prevent a more violent and radical coup by Army colonels with the backing of King Juan Carlos.

General Milans emphasized that on each of the three occasions when the King had called him during the coup night, the monarch had always said goodbye remarking: "Un abrazo, Jaime". The King never addressed him as if he were the head of a military uprising, he said.

General Milans based his defence on confidences King Juan Carlos and Queen Sophia allegedly made to General Armada at a ski resort in the Pyrenees several weeks before the coup.

But General Armada today declared: "I am absolutely sure I gave General Milans no confidences because the King and Queen never made any to me."

Of their meeting in Valencia a month before the coup, which the prosecution alleges marked the beginning of the two generals' plot against democracy, General Armada said categorically that there

was no mention made of any radical groups in the Army conspiring for a violent overthrow of the constitution.

General Armada later denied any memory of five telephone conversations he allegedly conducted with General Milans two days before the seizure of Parliament.

General Milans, who usually sits immobile throughout the proceedings, was seen to laugh as General Milans made the denials.

Milans maintains that General Armada told him in one call that he was unable to prevent Lt-Col. Antonio Tejero from preparing to storm Parliament and in another call went on to set the time for the assault. "The operation will be carried out," General Milans assured the court martial that he had been told. The trial continues.

SINGLE PERSON

Name: _____
Age: _____
Sex: _____
Marital status: _____
Occupation: _____
Annual income: _____

MARRIED COUPLE

Name: _____
Age: _____
Sex: _____
Marital status: _____
Occupation: _____
Annual income: _____

MARRIED COUPLE

Name: _____
Age: _____
Sex: _____
Marital status: _____
Occupation: _____
Annual income: _____

RETIRED COUPLE

Name: _____
Age: _____
Sex: _____
Marital status: _____
Occupation: _____
Annual income: _____

President Brezhnev is expected to arrive at Moscow airport to welcome Mr. Visto, the newly-named President of the Soviet Union. The two leaders have never met before, and the two countries have many problems to solve. The two countries are not only close neighbors, but also have many common interests. The two countries are not only close neighbors, but also have many common interests. The two countries are not only close neighbors, but also have many common interests.

reassures partners

Mrs. Chen's new foreign policy has reassured trading partners that the government does not mean to trade commitments. Mrs. Chen's new foreign policy has reassured trading partners that the government does not mean to trade commitments. Mrs. Chen's new foreign policy has reassured trading partners that the government does not mean to trade commitments.

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Bella plea ubarak

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ai Lama appeal

The Dalai Lama has appealed to the Chinese government to release the Dalai Lama. The Dalai Lama has appealed to the Chinese government to release the Dalai Lama. The Dalai Lama has appealed to the Chinese government to release the Dalai Lama.

ugee exodus

A large number of refugees have fled from the border area. A large number of refugees have fled from the border area. A large number of refugees have fled from the border area.

How better-off - and pensioners - benefit

PERSONAL TAXATION

Higher earners will benefit substantially

By Lorna Bourke

Once again the Chancellor has produced a Budget for the better off, putting more into the pockets of higher-rate taxpayers, and raising the starting point for capital gains and capital transfer tax, while the basic rate taxpayer has merely maintained his position. But pensioners will do well and he has been generous in some of his social benefits.

Personal tax allowances and the thresholds for higher rate tax have all been increased by around 14 per cent, two per cent above last year's rate of inflation. But with the increases in National Insurance contributions due to take effect from April, most basic rate taxpayers will have roughly the same take-home pay after the Budget changes as they have today.

A single person earning around the national average wage of £7,500 will see take-home pay, after deductions for tax and National Insurance, go down from £5,082 a year to £5,064, cutting his spendable income from 67.7 per cent of earnings to 67.5 per cent.

Married couples earning twice the average wage, £15,000, will see a rise in their spendable income from £10,371 to £10,391, equivalent to less than 40p a week. But if they have children their position will be improved by the opening of a child benefit, up 60p a week to £5.85 from November of this year.

Higher earners have benefited substantially from the changes in personal taxation. A married man earning £30,000 a year will see a rise in his disposable income from £17,606 to £18,099 equivalent to a 1.6 per cent improvement in take-home pay. Before the Budget changes he would have paid tax at the top rate of 60 per cent but will now see his marginal rate of tax reduced to 55 per cent.

Pensioners have seen the biggest improvement in their situation. State retirement

pensions have been fully index-linked, taking into account the 2 per cent underestimation of last year.

A married couple will see their state pension rise from £47.35 to £52.55 while a single pensioner will receive an increase of £3.25 a week, up from £29.60 to £32.85 in November.

The tax change will amount to an increase in spendable income of £3 in every £100. A married couple with income of £4,000 a year now has £3,569 left after deductions for tax. After April 5, this will rise to £3,789, an increase of £2.30 a week.

Those with investment income will be pleased to see the starting point raised from its current level of £2,500 to £2,520.

Perhaps the one surprise on personal tax was the decision to increase the amounts which can be contributed to a self-employed pension scheme. It has been a complaint that the maximum contribution levels were too low for the self-employed to make adequate provision for retirement.

The big disappointment has undoubtedly been the failure to increase the £25,000 maximum for mortgage interest relief. However, a small concession has been granted to homebuyers with the raising of the starting point for stamp duty from £20,000 to £25,000. Last year, an estimated six out of every ten homebuyers paid this tax, and this is likely to come down to three out of every ten.

RETIREMENT

Retirement Annuity Relief, available to the self-employed and those in non-pensionable jobs, is to be increased for some older contributors. Normally relief is limited to 17½ per cent of net earnings; existing rates and the proposed increases are:

Birth	% relief 1982-83
1934 or later	17½
1918-33	20
1914-15	20½
1910-13	23½
1910-11	26½
1908-09	29½
1907	32½

TAX CHANGES

SINGLE PERSON

Annual income £7,500 all earned

	1981-82	1982-83
Income	7,500	7,500
less: NI contributions	581	589
Tax	1,837	1,780
Disposable income	5,082	5,064
Disposable income as proportion of gross income	67.7%	67.5%
Single person's tax allowance	1,375	1,585

MARRIED COUPLE - NON-WORKING WIFE

Annual income £22,500 all earned

	1981-82	1982-83
Income	22,500	22,500
less: NI contributions	806	806
Tax	7,552	7,037
Disposable income	14,142	14,657
Disposable income as proportion of gross income	62.8%	64.2%
Married man's allowance	2,145	2,445

MARRIED COUPLE, BOTH WORKING*

Joint annual income £15,000 all earned - two children

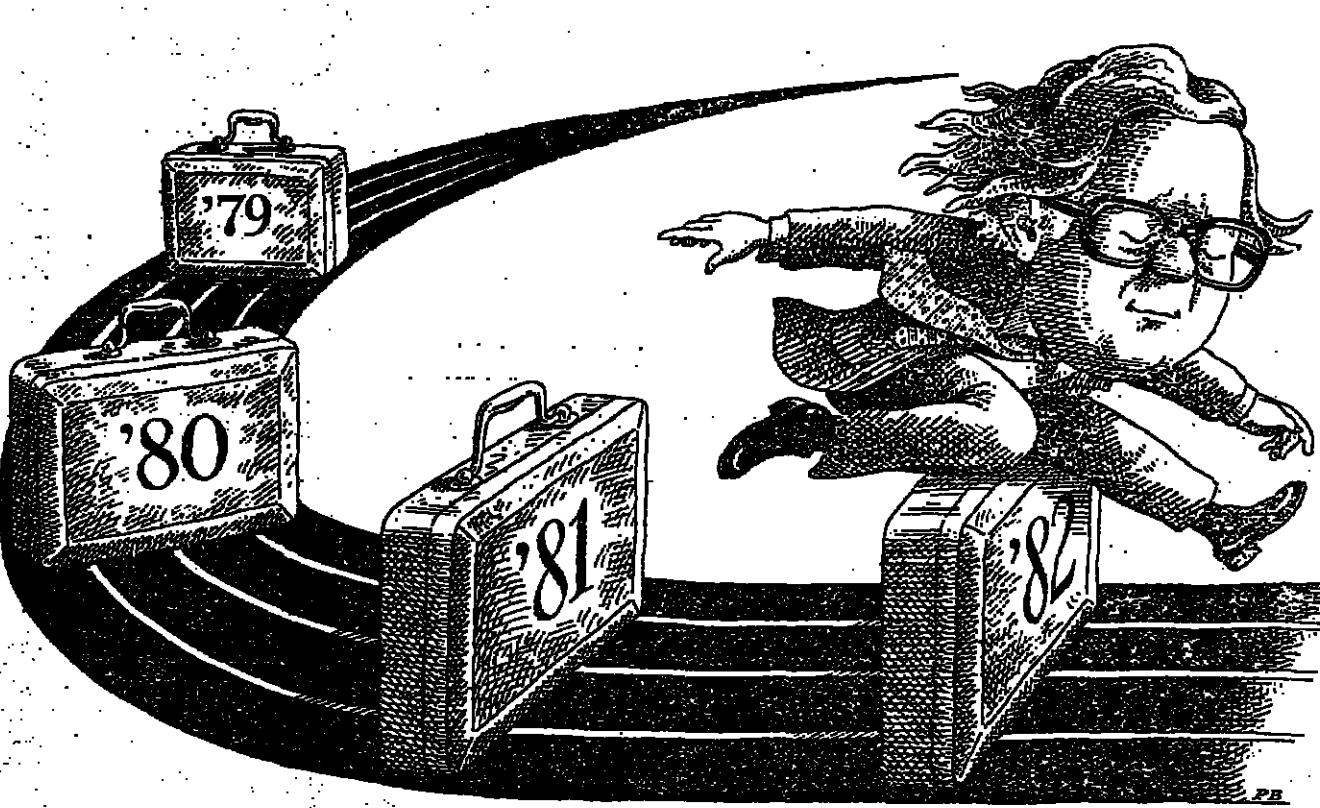
	1981-82	1982-83
Income	15,000	15,000
less: NI contributions	1,182	1,312
Tax	3,467	3,297
Disposable income	10,371	10,391
Disposable income as proportion of gross income	69.1%	69.2%

*assuming both pay full rate NI contributions

RETIRED COUPLE

Annual income £4,000

	1981-82	1982-83
Income	4,000	4,000
less: Tax	331	211
Disposable income	3,669	3,789
Disposable income as proportion of gross income	91.7%	94.7%
Married age allowance	2,895	3,295



BUDGET 12 June 1979

Income tax: basic rate cut 3% to 30%; top rate slashed from 83% to 60%; personal allowances raised by twice amount needed to compensate for inflation; tax bands for higher rates widened

VAT: doubled to 15% from standard rate of 8% and luxury rate of 12½%

Impact: £3,600m taken out of economy

Reaction: tax incentives welcomed by managers but big boost to inflation and depressive effect on output.

BUDGET 26 March 1980

Income Tax: 25% lower rate abolished; personal allowances raised in line with inflation, higher rate thresholds by less

Excise duties: raised, putting 10p a gallon on petrol, 2p on a pint of beer, 8p on a bottle of wine, 50p on a bottle of whisky and 5p on 20 cigarettes

Impact: £1,500m taken out of economy

Reaction: tight money and fiscal policies welcomed by City but little relief for industry in recession.

BUDGET 10 March 1981

Income tax: no increase in personal allowances or tax bands to compensate for inflation

Excise duties: raised by twice amount needed to keep pace with inflation, putting 20p a gallon on petrol, 4p a pint of beer, 12p on a bottle of wine, 60p on a bottle of whisky and 14p on 20 cigarettes

Impact: £4,000m taken out of economy

Reaction: few supporters, many critics. Severe contractionary effect dismayed industry in depths of recession, not offset by promised lower interest rates

BUDGET 9 March 1982

Income tax: personal allowances raised by 14%, 2% more than needed to compensate for inflation, and increases in higher rate thresholds and bands

Excise duties: raised in line with inflation overall, putting 9p a gallon on petrol, 2p on a pint of beer, 10p on a bottle of wine, 30p on a bottle of whisky and 5p on 20 cigarettes

Impact: injection of £1,300m into economy

Reaction: not as expansionary as many have urged but much in line with expectations

CAPITAL GAINS TAX

Index linking promises substantial relief

By Oliver Stanley

The Chancellor has come up with a compromise solution to the troublesome problem of capital gains tax on inflationary gains. For past years, he has decided that the solutions of tapering relief and full indexation are not practicable.

For 1982-83, he has chosen the simple solution of increasing the annual exemption to £5,000 for individuals and £2,500 for trustees of settlements. Where total net gains in the year do not exceed these thresholds, there is full exemption.

For 1983-84 on wards, these amounts are to be indexed in the same way as income tax allowances and thresholds. The increase is linked to that in the Retail Price Index for the December preceding the year of assessment over the preceding December.

The major reform is that future inflation is to rank for relief. This adjustment will reduce or extinguish the

chargeable gain, but will not apply to create an allowable loss.

It will also be linked to the Retail Price Index on a

CAPITAL

TRANSFER TAX

The new bands at which capital transfer tax is chargeable are:

Chargeable transfer (£000s)	Rate (%)
0-55	Nil
55-75	30
75-100	35
100-130	40
130-165	45
165-200	50
200-250	55
250-300	60
300-350	65
350-400	70
400-450	75
Over 450	80

monthly basis, but only increases after Budget Day will be taken into account. There is a further limitation in that relief will not be given for the first year of ownership, so that gains on assets held for a short term will not qualify for relief.

Examples are needed to make clear this elusive concept. Where land was bought in July 1970, and sold in October 1982, there will be no relief for inflation occurring during the years 1970 to 1982, but relief by reference to the increase in the RPI between March, 1982, and October, 1985.

Both individuals and companies will qualify for this relief, estimated to cost the Exchequer £125m in capital gains tax and £25m in Corporation tax in the first full year to which the new rules apply. But the eventual effect, as more and more years come within the ambit of relief, is likely to be substantial. Just how substantial will inevitably depend on the Government's ability to control inflation. Crocodile tears will be shed at the failure to deal with past years, but realists will welcome this fair and balanced attempt at a solution.

The new national insurance pension will be £32.85 for a single person, an increase of £3.25 a week; and £52.55 for a married couple, an increase of £5.20 a week. Unemployment benefit will rise from £22.50 to £25 a week for a single person and from £36.40 to £40.45 for a married couple.

Child benefit is to go up by 60p to £5.85 for each child, and the extra one-parent family benefit is being raised by 35p to £3.65. The latter is paid on top of ordinary child benefit for the first or only eligible child in most one-parent families.

The prescribed amount for Family Income Supplement for a one-child family is to go up from £74 to £82.50, and

BENEFITS

Backbench pressure helps unemployed

By Pat Healey, Social Services Correspondent

The Chancellor of the Exchequer made clear yesterday that the Government has bowed to backbench pressure by agreeing to make good the 2 per cent shortfall in last November's benefit increases for the unemployed as well as for pensioners.

He did not specify it, but the child benefit increase of 60p a week also covers last year's shortfall as well as the forecast of inflation up to next November.

Sir Geoffrey also announced that mobility allowance is to be increased by more than inflation would require and exempted from tax from the start of the new financial year. The second measure, which has been widely pressed for, will relieve some low-earning disabled people of all tax liability.

But there were two notable omissions from the Budget statement. There was no mention of any recompense for the 5 per cent cut in inflation-proofing made in 1980 in anticipation of benefits being brought into tax, although unemployment benefit will become taxable in July.

Nor was there any indication of whether the new supplementary benefit rates, to be introduced this November, will, in fact, be increased by less than other benefits to take account of the new housing benefit scheme.

The Government was caused considerable embarrassment last week when Mr Hugh Ross, Minister for Social Security, announced in committee in the Commons that housing costs would be removed from the retail price index for the purpose of increasing supplementary benefits.

Details of the social security changes are to be announced today, however, by Mr Norman Fowler, Secretary of State for Social Security. But the Chancellor announced yesterday by the Exchequer that the 9 per cent inflation forecast, which is 1 per cent less than anticipated last December, plus the 2 per cent needed to make good the shortfall.

The new national insurance pension will be £32.85 for a single person, an increase of £3.25 a week; and £52.55 for a married couple, an increase of £5.20 a week. Unemployment benefit will rise from £22.50 to £25 a week for a single person and from £36.40 to £40.45 for a married couple.

Child benefit is to go up by 60p to £5.85 for each child, and the extra one-parent family benefit is being raised by 35p to £3.65. The latter is paid on top of ordinary child benefit for the first or only eligible child in most one-parent families.

The prescribed amount for Family Income Supplement for a one-child family is to go up from £74 to £82.50, and

the mobility allowance will increase from £16.50 a week to £18.30. That increase, with the exemption from income tax, will be worth more than £5 a week to some working disabled people.

The cost in a full year of all the social security measures announced will be £3,000m. The public expenditure White Paper yesterday made clear that the revised inflation forecast on which the social security increases are based gave the Chancellor more room for manoeuvre despite an increase in the estimated number of wholly unemployed people of 300,000.

The saving from the lower inflation forecast is £220m in a full year, and the cost of extending the recovery of the 2 per cent shortfall to unemployment and other benefits is £160m in a full year.

Of the poverty groups, not those concerned with disability expressed any pleasure at the Budget announcements. Mr George Wilson, director of the Royal Association for Disability and Rehabilitation, said he was delighted that the Chancellor had accepted at last that the mobility allowance should be tax-free and increased in line with motor costs rather than the cost of living.

The Child Poverty Action Group, however, was disappointed that the Budget had only begun to repay "the debt" to families with children. The 60p increase in child benefit was the minimum needed to cover inflation since 1980, but maintaining it at its present inadequate level was not enough. An extra 35p a week was needed to restore the benefit to its value when the Government took office.

The group was nevertheless extremely relieved that the 2 per cent shortfall was to be made good for unemployment benefit and other short-term benefits. But the Chancellor's silence on the 5 per cent cut in lieu of taxation when unemployment benefit was about to be brought into tax amounted to cheating an unemployed couple of nearly £2 a week.

Pensioners groups were not happy either. Mr David Holman, director of Age Concern, said the Budget was no more than a standstill, with the Government doing the least for pensioners that present legislation would allow.

Mr Hugh Faulkner, director of Help the Aged, said the Budget made clear the Government's disregard for justice and compassion towards pensioners. Mr Christopher Pond, director of the Low Pay Unit, said the Budget measures were likely to worsen the poverty trap, and the tax concessions for average earners would be wiped out by the increase in National Insurance contributions next month.

The Government's conditions for the issue of British Telecom tariff increases to 2 per cent below the retail price index and assume that the corporation reduces its unit costs by 5 per cent per year.

Sir George Jefferson, chairman of British Telecom, welcomed the issue as an important step allowing the corporation more borrowing flexibility.

Commenting on the tariff increase restraints Sir George added: "Some services are still loss-making and the price of these may have to be increased more than the average. But I am confident that over the years ahead we will be able to reduce the real cost of telecommunications services for the great majority of our customers."

relief on a sliding scale. The effect is that the excess of sums over £75,000 will be fully charged to tax. At present compensation for loss of office and ex-gratia payments are tax free for the first £25,000 with the remainder taxed at half the top rate of tax on earned income.

The Chancellor's proposals could mean that Mr Jack Gill, who was dismissed as managing director of Associated Communications Corporation, could collect less than half of the record £560,000 compensation for loss of office, the payment believed to have prompted the Chancellor's action, if it survives the present court action opposing the payoff.

Go-ahead for Buzby bond

The Government has given the go-ahead for British Telecom's much-awaited

'Handshakes' curbed

By Philip Robinson: Golden handshakes above £75,000 will be taxed at the same rate as those receiving them paid on their salary, as a result of changes proposed by the Chancellor.

He wants to tighten the law relating to very large golden handshakes, withdrawing tax

VAT standstill condemned

Charities reacted bitterly to the Chancellor's failure to make any significant concessions on value-added tax and described his other proposals on stamp duty and capital transfer tax as likely to have no more than a

marginal effect on their operations.

The strongest condemnation came from the eight-member Reform VAT Group, whose chairman, Mr Tim Yeo, said charities were "absolutely shattered" at the lack of relief. Mr Yeo, director of the Spastic Society, added: "We are utterly astonished that the

Home buyers pay less

By Lorna Bourke

Homebuyers will benefit significantly from the upping of the starting point for stamp duty on house purchase. The buyer of a £26,000 house who previously paid £260 in stamp duty will find that his bill has been cut by half to £130. On a £36,000 house, stamp duty has been reduced from £720 to £540, a saving of £180.

The rise in the starting point for stamp duty was widely predicted since the cost to the Exchequer in terms of lost revenue is estimated at £70m for the current tax year. But with 5.5 million existing homebuyers and many millions more waiting on the sidelines, reducing stamp duty is an effective vote catcher.

Stamp duty is now payable on the purchase of houses with a sale price of £25,000 or more. Once over the £25,000 threshold, it becomes payable on the whole purchase price - not just on the excess over the £25,000 threshold.

The new rates of stamp duty, effective from April 6, 1982 are as follows: purchases between £25,001 and £30,000 - 0.5 per cent; £30,001 to £35,000 - 1 per cent; £35,001 to £40,000 - 1.5 per cent and over £40,000 - 2 per cent.

Stamp duty was last adjusted in 1980 when the starting point was raised from £15,000 to £20,000. Before 1980, the previous adjustment was in 1974 when the threshold was fixed at £15,000.

Since then inflation has soared away and comparable starting threshold for stamp duty ought now to stand at well over £50,000, so in real terms the Chancellor has given nothing away.

Stamp duty was originally a tax on the purchase of luxury homes but as inflation pushed up house prices, more and more homebuyers found themselves caught in

THE SKOLARS

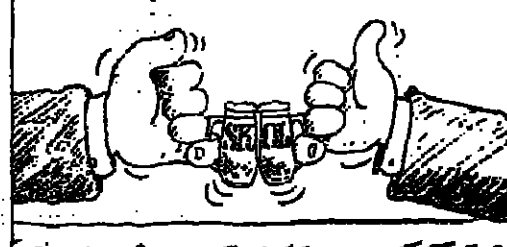
HUH, THE BUDGET'S NOT GONNA STOP ME FROM DRINKIN'.

ME NEITHER.

WHAT'S A LITTLE PRICE RISE AMONG FRIENDS?

THAT'S THE SPIRIT.

CHEERS!



NATIONAL INSURANCE SURCHARGE

Employers' plea for cut is met half-way

By Peter Hill Industrial Editor

A substantial reduction, and ideally the total abolition, of the employers' National Insurance surcharge has been the central feature of the Confederation of British Industry's taxation representations.

The surcharge, introduced five years ago by Mr Denis Healey, Chancellor in the last Labour Government, has acted as a tax on jobs and has further undermined British industry's international competitiveness, according to the employers' claim.

In its increasingly tough representations over the past few months, the CBI's call for a reduced surcharge became a main theme in speeches and presentations designed to convince ministers of the need for the organization's demand for a £3,000m refractionary package. It received widespread support from other employers' organizations, with the singular exception of the Institute of Directors.

When it was first introduced the surcharge rate was set at 2 per cent of most of a company's wage and salary bill. Three years ago the rate was lifted to 3.5 per cent. If the tax had remained unchanged employers calculated that it would have yielded about £4,000m in the coming financial year with about one fifth being paid by

the Government, as an employer, to itself. The Chancellor, in cutting the "tax on jobs" by 1 per cent has met the CBI's plea half way, with the organization calculating that its requested 2 per cent cut would have cost £1,500m in the first year, allowing for delays in implementation, and £1,900m in a full year.

Employers organizations, while welcoming the move, which will reduce the cost into a net figure of £640m, served notice last night that they would maintain the pressure to have the tax abolished.

The basic complaint about the surcharge is that it has played a significant role in contributing to British industry's high relative unit labour costs and therefore in undermining industry's competitiveness in overseas markets. Apart from that serious rein on industry's ability to compete, companies have argued that the surcharge contributes to inflation and, since it acts as a payroll tax, is contributing to rather than reversing the upward rise in unemployment.

A 2 per cent cut would after two years on the CBI's calculations, yield a £1,000m boost in industry's exports, shave 1 per cent off the retail price index and add £1,000m to corporate profits as well as

generate around 200,000 jobs. Despite the criticisms voiced by the Institute of Directors, Sir Raymond Pennock, CBI president, and Sir Terence Beckett, CBI director general, have argued that a cut in the surcharge would reach the whole business sector, whereas other suggested measures would be likely only to channel relief to some of the firms that need it.

An important factor which the Chancellor has had in his mind in deciding the extent of the cut to promote industrial activity is the worry that lower surcharge payments would be passed on in higher pay settlements. The employers, however, have insisted that, with profitability in real terms last year at its lowest recorded level — and this year unlikely to show any significant improvement — such an inflationary diversion is unlikely to take place as companies continue to battle with compressed margins and investment cutbacks.

The Chancellor's measures to help big industrial users of energy mean that electricity boards in England and Wales will offer their large customers three-year contracts providing for a reduction in electricity charges of up to 16 per cent in return for a commitment to reduce consumption at peak demand periods.



NORTH SEA TAX

Oil taxes restructured but no cuts

By Jonathan Davis, Energy Correspondent

Although he acknowledged that oil company revenues could be hit by falling oil prices this year, the Chancellor has refused to make any changes in the overall level of North Sea taxation, which the industry has consistently said is too high.

As it is, falling prices mean that government revenues over the next three years will be substantially less than was thought last year. In 1983-84 this shortfall will be £1,800m. However, there will be changes in the structure of the tax. Special Petroleum Duty (SPD), a 20 per cent tax on revenue introduced as a temporary measure last year, will be abolished from the end of 1982, six months later than the original expiry date of June.

In place of SPD, from

January, 1983, the rate of Petroleum Revenue Tax (PRT) will be increased from 70 per cent to 75 per cent, and payments will be advanced. From the middle of 1983, payments of PRT will have to be made monthly to smooth the flow of revenue to the Treasury. At the moment payments are made in two stages, four months before and two months after the end of each half year.

The overall effect will be to maintain the Government's tax take this year, expected to be about £6,000m. The marginal North Sea tax rate will fall slightly from 90.3 to 89.5 per cent.

While the Chancellor praised the enterprise and skill shown by private sector companies in the development of the North Sea, he

dismissed claims that the existing tax burden would limit the pace of future exploration and development. He gave a strong hint that there would be no further changes in the North Sea tax system, which he said he hoped would be secure and stable.

The latest increase in the rate of PRT, for example, will be the third since then. It has risen from 45 per cent to 60 per cent, to 70 per cent, and now to 75 per cent. The Treasury has also published new estimates of total North Sea revenues up to 1984-85. They are: 1981-82, £6,400m (against a forecast at the last Budget of £5,900m); 1982-83, £6,200m (£6,700m); 1983-84, £6,100m (£7,900m); and 1984-85, £8,000m.

Over the months the increasingly acrimonious argument led the National Economic Development Council to form an energy task force to

establish the extent of the disparity. The task force submitted two reports last year. The first established beyond question that the energy intensive industries — iron and steel, chemicals, foundries and chemical and board were at a disadvantage. Electricity costs for French steel and chemical companies a year ago, for example, were 20 to 35 per cent lower than in England and Wales. German prices were up to 25 per cent lower.

Exchange rate movements played a large part in the disparity but other factors cited by the task force included the relative cost advantage of France's nuclear and hydro-electric generating capacity and West German tariff structures that favour high-load consumers.

The Government attempted in last year's Budget to take some of the heat out of the controversy by a package of measures designed to ease the cost burden, but it fell far short of the industries' pleas.

More than 100 heavy industrial users are expected to benefit from the measures. The electricity supply industry introduced Category C, a new load management which entitled users to additional discounts if they accepted much shorter notice of power supply reductions.

The scheme proved less attractive than expected

Treasury looks for more business risk-taking

By Drew Johnston

Measures relating to small business tax rules aimed at encouraging enterprise and risk-taking, the Treasury said. The revenue cost is £28m in 1982-83 and £30m in a full year. Investment incentives are included.

New business: The Business Start-Up Scheme allows for up to £10,000 to be subscribed by "outsiders" for shares in a new business. That limit is raised to £20,000 for 1982-83 and for 1983-4. Because some investors have not been able to use their 1981 allowance of £10,000 they will be allowed to add the outstanding amount to the allowance for the next tax year. Restrictions on deductions in capital gains tax sums are also to be removed if shares covered by the scheme are sold.

Unquoted companies: The Budget makes proposals to assist small and family companies to attract new equity capital in cases in which an investor might hold back through fear of being locked in because there is often no ready market for the shares. In certain cases, where an unquoted company buys back shares and the transaction is not a dividend of distribution of surplus profits, provisions are being made to ease the tax charge.

The new relief will apply where a British shareholder sells his shares back to, or has them redeemed by, an unquoted trading company. Any distribution included in the purchase of redemption price is no longer to be treated as such, that is, it will not be subject to advance corporation tax and Schedule F income tax. It will be treated as a sale by the shareholder, and therefore

usually subject to capital gains tax rules. Deals through the Stock Exchange will be given modified tax treatment in some cases where the shares are in quoted or investment companies.

Loan guarantee: The loan guarantee scheme introduced in the last Budget has been extended because it has been so successful. The Chancellor said demand exceeded expectation and the amounts made available for business, already extended from the original £50m to £100m, have been raised to £150m.

Corporation tax: The profits limit for the small companies rate of corporation tax of 40 per cent has been increased from £80,000 to £90,000. That is slightly greater than the rate of inflation and the Government's determination to help small and medium-size businesses.

The tapering relief terms, which run between the small rate of corporation tax and the full 52 per cent rate, have also been improved. Businesses will not pay the full rate until they have profits over £225,000. That is £25,000 more than the previous limit. Value-added tax: VAT registration limits have been raised to £17,000 from £15,000, the limit for deregistration has also been raised to £16,000. That will give about 65,000 traders the opportunity to deregister, the Chancellor said. It means they will no longer have to charge VAT on services and goods supplied to them.

The relief from VAT on services supplied before registration, which was granted in last year's Budget to incorporated bodies, has been widened to apply to all traders.

CORPORATE TAX

Tough stance on avoiding tax

The Chancellor is giving his full backing to the tougher stance shown by the Inland Revenue over the past year on tax avoidance schemes. His budget contains several measures to stop international businesses from benefiting at the expense of the British taxpayer.

The international leasing industry has been hit by a reduction in the tax allowances for all assets leased outside Britain but financed through British banks or

financial institutions. The tax allowances have been reduced from 25 per cent to 10 per cent for leased assets and from 100 per cent to 10 per cent for ships.

That is expected to mean that overseas businesses will switch their lease financing arrangements from Britain to other countries which offer higher tax allowances. The tax benefits enjoyed by the financial institutions are passed on to the customer as cheaper lease terms.

The film industry is to lose the generous capital allowances that have attracted a growing number of groups almost three years ago the Inland Revenue allowed 100 per cent first year allowances on investment in films. As with other capital allowances these incentives are available whether or not the film is made in this country.

Instead of capital allowances, companies will be allowed to write off costs over the income-producing life

Measures to ease the fuel bills of a group of energy intensive industries, which are expected to cost £250m in a full year, are unlikely to remove the issue from the debate that has occupied industry and Government for 18 months.

The disparity between the prices paid by a small but important group of United Kingdom industries for their oil, gas and electricity con-

By Peter Hill, Industrial Editor

Energy debate not yet defused

By Peter Hill, Industrial Editor

Over the months the increasingly acrimonious argument led the National Economic Development Council to form an energy task force to

establish the extent of the disparity. The task force submitted two reports last year. The first established beyond question that the energy intensive industries — iron and steel, chemicals, foundries and chemical and board were at a disadvantage. Electricity costs for French steel and chemical companies a year ago, for example, were 20 to 35 per cent lower than in England and Wales. German prices were up to 25 per cent lower.

Exchange rate movements played a large part in the disparity but other factors cited by the task force included the relative cost advantage of France's nuclear and hydro-electric generating capacity and West German tariff structures that favour high-load consumers.

The Government attempted in last year's Budget to take some of the heat out of the controversy by a package of measures designed to ease the cost burden, but it fell far short of the industries' pleas.

More than 100 heavy industrial users are expected to benefit from the measures. The electricity supply industry introduced Category C, a new load management which entitled users to additional discounts if they accepted much shorter notice of power supply reductions.

The scheme proved less attractive than expected

CONSTRUCTION AND BUILDING

Housing boost welcome

By Baron Phillips

Construction industry leaders last night welcomed the Chancellor's measures designed to increase capital spending on housing and large works programmes.

The total value to the construction industry is £170m aimed at giving an immediate boost to the housing programme, small factories and the revival of derelict urban land.

Although total public spending on the main projects will increase to about £10,250m, an extra 14 per cent is based on the extremely low levels expected in the present year.

Local Authorities will receive an additional £100m to their capital spending programme to cover the cost of the increased grants the Chancellor made available. Grants for large repairs and for the provision of basic amenities will rise from the present 75 per cent to 90 per cent which will apply on applications received by the end of 1982.

At the same time more cash is to be made available in the form of grants to encourage people to improve insulation of their homes.

Further stimulation comes from the abolition of VAT on double glazing, roof insulation and damp coursing.

The Government is specially keen to encourage the main urban renewal programme involving both public and private sector. Up to £70m of the money available in 1983-4 will be earmarked for joint development projects between the public and private sector. Also the grant payable to non-local authority bodies for land reclamation in assisted areas and derelict land clearance areas is being increased from 50 per cent to 80 per cent.

Apart from increased housing improvement allowances the country's housebuilders warmly welcomed the raising of the stamp duty threshold by £5,000 to £25,000 which they believe will encourage and stimulate the private sector housing market.

The Chancellor also announced capital allowances of up to 75 per cent in the first year for developers building homes for letting aimed at boosting the low level of construction in that field.

PERSONAL TAXATION

Weekly earnings	Weekly income in 1981/82 post November				Weekly income in 1982/83 up to November 1982				Weekly income in 1982/83 post November 1982			
	Child benefit	Income tax	NIC	Net income	Child benefit	Income tax	NIC	Net income	Child benefit	Income tax	NIC	Net income
£	£	£	£	£	£	£	£	£	£	£	£	£
50.00	10.50	2.62	3.87	54.01	10.50	0.89	4.37	55.24	11.70	56.44	2.43	64.14
60.00	10.50	5.62	4.65	60.23	10.50	3.89	5.25	61.36	11.70	62.56	2.33	70.56
80.00	10.50	11.62	6.20	72.68	10.50	9.89	7.00	73.61	11.70	74.81	2.13	82.51
100.00	10.50	17.62	7.75	85.13	10.50	15.89	8.75	85.86	11.70	87.06	1.93	94.51
120.00	10.50	23.62	9.30	97.58	10.50	21.89	10.50	98.11	11.70	99.31	1.73	106.51
140.00	10.50	29.62	10.85	110.03	10.50	27.89	12.25	110.36	11.70	111.56	1.53	118.51
160.00	10.50	35.62	12.40	122.48	10.50	33.89	13.12	122.49	11.70	117.69	1.43	124.51
180.00	10.50	41.62	13.95	134.93	10.50	39.89	14.00	122.61	11.70	123.81	1.33	126.51
200.00	10.50	47.62	15.50	147.38	10.50	45.89	15.75	134.86	11.70	129.81	1.23	132.51
220.00	10.50	53.62	17.05	159.83	10.50	51.89	17.25	147.11	11.70	135.81	1.13	138.51
240.00	10.50	59.62	18.60	172.28	10.50	57.89	19.25	159.36	11.70	141.81	1.03	144.51
300.00	10.50	82.06	25.50	212.94	10.50	76.58	25.25	214.67	11.70	215.87	0.93	216.51

Net income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means tested benefit. It is assumed that only the husband is earning.

National insurance contributions are at the standard Class 1 rate for employment not contracted out of the state additional (earnings related) pension scheme.

Single parent families have the same net weekly income as married couples on the same weekly earnings except that a single parent family received £3.30 extra benefit per week from November 1981 and will receive £3.65 extra per week from November 1982.

Child Benefit: The rate up to November 1982 is £10.50 per week (£5.25 per child) and will then be increased by £1.20 per week (60p per child).

ELDERLY SINGLE AND MARRIED COUPLES

Income all earned — weekly figures

Income	Charge for 1981/82		Proposed charge for 1982/83		Reduction in tax after proposed changes
	Income tax	Percentage of total income taken in tax	Income tax	Percentage of total income taken in tax	
£P.W.	£P.W.	per cent	£P.W.	per cent	£P.W.
ELDERLY SINGLE PERSONS					
40.00	1.50	3.7	0.06	0.1	1.44
50.00	4.50	9.0	3.06	6.1	1.44
60.00	7.50	12.5	6.06	10.1	1.44
80.00	13.50	16.9	12.06	15.1	1.44
100.00	19.50	19.5	18.06	18.1	1.44
120.00	26.81	22.3	24.06	20.0	2.75
140.00	34.07	24.3	32.29	23.1	1.78
150.00	37.07	24.7	35.97	24.0	1.10
ELDERLY MARRIED COUPLES (1)					
60.00	1.30	2.2	0.00	0.0	1.30
80.00	7.30	9.1	4.99	6.2	2.31
100.00	13.30	13.3	10.99	11.0	2.31
120.00	20.61	17.2	16.99	14.2	3.62
140.00	29.62	21.2	25.22	18.0	4.40
150.00	32.62	21.7	30.22	20.1	2.40
160.00	35.62	22.3	33.89	21.2	1.73

For incomes above these levels, the figures are the same as those in Table 4.

(1) Calculations assume that only the husband has earned income.

SINGLE AND MARRIED COUPLES

Income all earned, weekly figures, Income Tax and National Insurance Contributions

Income	Charge for 1981/82			Proposed charge for 1982/83			Change in Income after tax and NIC
	Income tax	NIC	Net Income After Tax and NIC	Income tax	NIC	Net Income After Tax and NIC	
£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.	£P.W.
SINGLE PERSONS							
30.00	1.07	2.32	26.61	0.00	2.62	27.38	0.77
40.00	4.07	3.10	32.83	2.97	3.50	33.53	0.70
50.00	7.07	3.87	39.06	5.97	4.37	39.66	0.60
60.00	10.07	4.65	45.28	8.97	5.25	45.78	0.50
80.00	16.07	6.20	57.73	14.97	7.00	58.03	0.30
100.00	22.07	7.75	70.18	20.97	8.75	70.28	0.10
120.00	28.07	9.30	82.63	26.97	10.50	82.53	-0.10
140.00	34.07	10.85	95.08	32.97	12.25	94.78	-0.30
150.00	37.07	11.62	101.31	35.97	13.12	100.91	-0.40
160.00	40.07	12.40	107.53	38.97	14.00	107.03	-0.50
180.00	46.07	13.95	119.90	44.97	15.75	119.28	-0.70
200.00	52.07	15.50	132.43	50.97	17.50	131.53	-0.90
220.00	58.07	15.50	146.43	56.97	19.25	143.78	-2.65
240.00	64.07	15.50	160.43	62.97	19.25	157.78	-2.65
300.00	88.73	15.50	195.77	83.35	19.25	197.40	1.63
(1)							
MARRIED COUPLES							
50.00	2.62	3.87	43.51	0.89	4.37	44.74	1.23
60.00	5.62	4.65	49.73	3.89	5.25	50.86	1.13
80.00	11.62	6.20	62.18	9.89	7.00	63.11	0.93
100.00	17.62	7.75	74.63	15.89	8.75	75.36	0.73
120.00	23.62	9.30	87.08	21.89	10.50	87.61	0.53
140.00	29.62	10.85	99.53	27.89	12.25	99.86	0.33
150.00	32.62	11.62	105.76	30.89	13.12	105.99	0.23
160.00	35.62	12.40	111.98	33.89	14.00	112.11	0.13
180.00	41.62	13.95	124.43	39.89	15.75	124.36	-0.07
200.00	47.62	15.50	136.88	45.89	17.50	136.61	-0.27
220.00	53.62	15.50	150.88	51.89	19.25	148.86	-2.02
240.00	59.62	15.50	164.88	57.89	19.25	162.86	-2.02
300.00	82.06	15.50	202.44	76.58	19.25	204.17	1.72

MOTORING

Motorists face £40 jump in costs

By Peter Waymark, Motoring Correspondent

The Budget will increase the cost of running the average family car by about £40 a year, £30 for petrol, assuming an annual mileage of 9,000 and consumption of 30 miles a gallon, and £10 on car tax.

The typical price of a gallon of four-star petrol goes up from 151p to 160p and vehicle excise duty from £70 to £80, which is the third rise in successive Budgets.

The Automobile Association described the proposals as "predictable but no less palatable" and the Royal Automobile Club accused the Chancellor of "squeezing every penny from already overtaxed car owners".

The RAC said that as a result of the Budget, the Chancellor would be taking nearly £9,500m a year in tax from road users, or £7,000m more than was being spent on road building. However, with too much petrol chasing too few motorists, it remains to be seen whether the full 9p increase will "stick at the pumps".

There have been five price rises since the last Budget but they have been cancelled out by the subsidies given by the oil companies to filling stations in order to maintain dealers' margins.

Since the beginning of November, the average price of petrol has fallen by more than 20p a gallon and at 151p for four-star it is exactly

where it was after the Budget a year ago.

The explanation is that while petrol is in plentiful supply, motorists are buying less of it.

Petrol sales fell by 2 per cent last year, the first drop since 1974 and only the second since the war.

The fall in demand is attributed mainly to the economic climate. Motorists are not only using their cars less but switching to smaller and more economical models. The harsh weather around Christmas accelerated the trend.

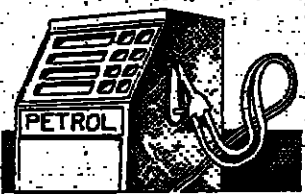
Filling stations have been forced to cut prices to compete for business and oil companies are picking up the bill. The petrol price "war" is estimated to be costing companies £10m a week.

The "true" price of four-star before the Budget was £1.70 a gallon but in some areas motorists have been paying as little as £1.35. The difference is largely made up by oil company subsidies.

The industry argues that prices are unrealistic and must soon rise, irrespective of the Budget. At the same time, sales of petrol in 1982 are expected to show little or no improvement on last year's depressed level.

One factor keeping prices down is the availability of cheap fuel on the Rotterdam spot market. This enables independent retailers to offer petrol in Britain below the prices charged by the major producers, who are tied to Middle East and North Sea oil.

Petrol prices vary considerably in different parts of the country and tend to be higher in rural areas, where filling stations are smaller and fewer.



Dismay over huge rise in road tax for lorries

By Edward Townsend, Industrial Correspondent

The swinging increases in heavy lorry excise duties were greeted with dismay by the Road Haulage Association, which claimed that more closures in the recession-hit industry would occur as a result.

From yesterday, the road tax on the country's 80,000 lorries above nine tonnes unladen weight rose by about 25 per cent which, said Sir Geoffrey, would reflect "the actual cost which they impose on the road network".

The duty on light vans above 30cwt unladen weight is to rise by about 12 per cent to bring the rate into line with that charged on cars. However, about 1.5 million vans in this category will enjoy a duty reduction.

The RHA, which has 13,000 members and claims to represent about 80 per cent of the "hire or reward"

sector, said that the duty increases and the 7p a gallon rise in the price of duty would together add 2 per cent to hauliers' operating costs.

The increase in duty prices, the association said, was bound to have a detrimental effect on road transport costs and therefore would hinder economic recovery.

Examples of the duty increases are: 15cwt van up from £70 a year to £80; 10 ton truck up from £1,233 to £1,543; 20 tonne truck with trailer up from £3,198 to £4,027. The duty on a 1.25 tonne van, however, drops by £6 to £90 and for a 1.5 tonne vehicle from £116 to £100.

The haulage industry welcomed, however, the Chancellor's decision to change the basis of heavy vehicle duty calculation from unladen to gross weight.

Licence fees for gaming machines increased

By Our Commercial Editor

The increases in the licence fees for gaming machines could mean a scaling down of pay-outs from the machines, particularly in clubs and pubs because of the crucial role the machine's takings play in overall profitability of licensed premises there will be anxieties in the trade at cutting pay-outs too far.

There were pay-out cuts when Value Added Tax was first levied on machine takings in 1975 but the appeal of the machines could easily be affected by big cuts, thus hitting takings. The machines known in the trade as Amusement With Prizes (AWP) machines — generate profits of £1,000m or more, accounting for much of the price discounts on club beer and usually more than half the profits in the average pub.

Pubs should not reduce

pay-outs, the National Union of Licensed Victuallers urged last night, even if that meant raising beer prices in compensation. The NULV is to press the Home Office to raise the maximum payout on pub machines to £10.

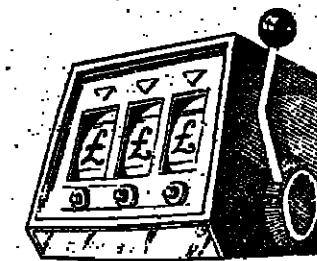
Licence fees for AWP machines vary. In pubs where pay-outs are limited the fees have until now been mostly £60 a year for one machine with a second machine costing £120.

On 5p stake machines the licence fee will be £120 for any machine and on 10p stake machines the fee will be £300. For the jackpot machines used in clubs the fees will be higher, being geared to their higher profitability.

The 5p stake jackpot machine fees rise from £200 to £300 and those taking a 10p stake will go from £400 to £750.

Casinos face a revaluation of the gaming licence duty which is based on the level of their gross winnings. At the moment the duty starts at 2½ per cent and rises to a maximum of 20 per cent.

From April 1, the first £500,000 will be taxed at 5 per cent, the next £1.75m at 12½ per cent, and the remainder at 25 per cent.



Coal production could be increased by 5%

By Rupert Morris

Coal output could be increased by 5 per cent because of the enlarged scope of the Government's £50m programme for enlarging oil-to-coal boiler conversions, the coal board said yesterday.

The changes in the scheme, announced by the Chancellor, "represent a direct response to industry's criticisms of the scheme. They were warmly welcomed, particularly by the coal board."

Grants of up to 25 per cent would be made available not only to manufacturing industry but also service industry such as horticulture. The scheme

would apply to conversions from gas to coal burning, and the qualifying level for projects would be lowered from £25,000 to £15,000.

Since the scheme was introduced last May, the response has been disappointing, and the Department of Industry confirmed yesterday that only £4.3m of the £50m originally allocated had been promised in grants to 46 companies. A further 30 applications were pending.

The scheme is due to expire on March 31, 1983, and the Chancellor said yesterday he had no plans to increase the £50m originally allocated

EXCISE DUTIES

Duty rise will hit drink and tobacco sales

By Derek Harris, Commercial Editor

The jump in excise duties hitting both drinkers and smokers, is expected to force down sharply the declining sales of spirits and tobacco. Sales of Scotch whisky are already running about 10 per cent down on the same period last year, with cigarette sales 15 per cent below early 1981 levels.

The Chancellor's 5p impost on a packet of 20 cigarettes brought warnings from tobacco manufacturers that more jobs could be at risk later this year. So far since the last Budget, after a mixture of Treasury and manufacturer increases, raised cigarette prices by a third, around 1,800 manufacturing jobs have been lost in the tobacco industry.

But the industry was relieved that the duty increases were not higher, the Tobacco Advisory said last night. Stocks of cigarettes at pre-Budget prices are likely to last for three weeks or more in the shops because, in addition to stocks in the retail pipeline, manufacturers, including Gallaher, have accumulated extra stocks. Prices of Gallaher's Benson and Hedges king size cigarettes and Silk Cut, will be held by the company for several weeks.

Carreras Rothmans, Britain's third largest tobacco manufacturer, is introducing packs of 14 cigarettes to keep packs below the £1 price, which is widely regarded as a possible "psychological barrier" for smokers. Other makers, including the two largest, Imperial Tobacco and Gallaher, are also assessing whether to make similar market moves.

The 5p increase on a pack of 20 cigarettes pushes the price of king size cigarettes up from a typical 98p to £1.03.

Rothmans' 14-packs, already in some shops in the Rothmans, Dunhill and Peter Stuyvesant ranges, have been selling at between 68p and 70p. The excise duty increase is expected to raise the price to at most 74p.

The Rothmans 14-packs have been specially produced, but other manufacturers may decide to pack

fewer cigarettes into their present 20-pack with adjustment to labelling. Imperial said that if a decision is taken to gear up production of packs of fewer than 20 one way would be to use vending machine packs which already carry 18 cigarettes or fewer.

Demand for 10-packs, which has already risen by a half, is likely to jump further. But there are fears that demand could outstrip supply. That is because most manufacturers in recent years have reduced the number of production lines for 10-packs.

Several times in the past year manufacturers have had to impose allocation ceilings to ration their supplies.

Gallaher said yesterday that it still had to prove that if king size cigarettes go over £1 that would prove a serious barrier to sales. When cigarettes first passed 50p there was no discernible effect on sales patterns.

Many Scotch distilleries are expected to close down this summer as distilling, already operating at below 50 per cent of capacity, is cut back further. Distilleries in Highlands and the islands — often the main employer — could be closed for up to three months starting as early as May.

The Chancellor's 30p on a bottle of Scotch comes on top of manufacturers' increases of 30p a bottle last month.

An acceleration is now expected in the trend towards closure of older and less economic breweries. This will bring more job losses with an increasing number of pubs which have barely been in profit for months.

On beer, the Chancellor was under pressure from Brussels to alter the ratio of taxation between beer and light table wine in favour of wine.

The adjustment being looked for, if implemented immediately, could mean either 20p or more off a bottle of wine or 4p on a pint of beer, or a mix of the two.

The Chancellor's increase on a bottle of wine, amounting to 10p, virtually increases wine in line with inflation.

That leaves some adjustment still to come once it is clear what ratio Brussels will call for, although the changes could be spread over a period of time.

Duty increases on other tobacco products apart from cigarettes are: about 3p on a packet of five whiff-size cigars or 10 miniatures; 6p on a 25-gramme pack of pipe tobacco; about 8p on a similar-sized pack of hand-rolling cigarette tobacco.

The anti-smoking lobby was disappointed at the scale of tobacco duty increases. ASH director Mr David Simpson said: "It is a miserable disappointment — very bad news for health."

NOT-SO-GOOD OLD DAYS

Prices of whisky, beer and cigarettes compared to contemporary average weekly earnings (male manual workers)

	1935	1940	1950	1960	1970	1980	1981
Earnings	£2.45	£4.45	£7.30	£14.10	£23.0	£123.0	£142.0 (estimated)
Bottle of whisky	70p	80p	162p	178p	280p	525p	610p
percentage	28.6	18.0	22.2	12.6	12.2	4.3	4.3
Pint of beer	2.5p	4.0p	6.5p	6.0p	10.1p	40.5p	49.0p
percentage	1.0	0.9	0.9	0.4	0.4	0.3	0.3
Packet of 20 cigarettes	5p	7p	18p	20p	31p	74p	87p
percentage	2.1	1.6	2.5	1.4	1.3	0.6	0.7

Source: Dept of Employment, Scotch Whisky Assoc., Brewers' Society, Tobacco Advisory Council

*King size filter, previous years plus levels of 1980.

Why Silk Cut King Size is still at the pre-budget price.

Last year, cigarette smokers suffered two tax increases.

So we decided to fight the system tooth and nail, on our customers' behalf.

First, we acquired acres of extra warehouse space.

We stepped up production of Silk Cut King Size way ahead of demand, and now we've stocked the warehouse to capacity.

We have incurred the duty. But at the old rate. So, while they last, we will be able to sell these cigarettes to our customers without charging the extra duty the Chancellor announced in the budget.

We wish we could do more. But Silk Cut King Size is the most popular low tar cigarette in Britain, and there's a limit to the stocks we can afford.



LOW TAR As defined by H.M. Government

DANGER: H.M. Government Health Departments' WARNING: THINK ABOUT THE HEALTH RISKS BEFORE SMOKING

Strategy directed to helping industry, jobs and people

Sir Geoffrey Howe, Chancellor of the Exchequer, opened his speech by paying tribute to Lord Butler whose death had been announced earlier in the day. He recalled that it was almost 30 years to the day since Rab had introduced his first Budget and there were now only a handful of present members who were present on that occasion.

It was an historic occasion because it marked the transition of the economy from war to peace and the beginning of the prosperity which was a feature of the 1950s and 1960s. That had been the first of four Budget speeches and with the exception of Mr Denis Healey, Lord Butler was the longest serving Chancellor since the war.

The tradition has emerged since Rab's time that the Budget speech should be composed in some sense as though it was a detective story with many lengthy passages of exposition before the answer is revealed.

Having listened to a good many of these annual rituals, since first I entered the House, the thought has occurred to me - as no doubt it has to others - that perhaps an element of tantalising suspense was thought desirable to keep the attention of the MPs to fever pitch.

At the same time, I propose to break with that tradition; and to tell the House, without more ado, that in this Budget I shall be proposing the following changes in taxation, while at the same time reducing the Government's borrowing requirement.

This will be a Budget for industry - and so a Budget for jobs. But it will be a Budget for people as well. It is a Budget that will strengthen the foundations of economic recovery.

To set my proposals in context, it is necessary to start with a word about the past. Within the history of every nation, this House, almost everyone in this country took it for granted, for example, that our buses, cars, or motor cycles were made in Britain, from British steel. Most of the world's finest ships were still being built in our yards.

It is only 14 years since the Erskine Bridge over the Clyde was completed - to a design which would allow it to pass below it a steady flow of motor cars. It is only 14 years since the Clyde was completed - to a design which would allow it to pass below it a steady flow of motor cars.

But by 1978, all that had changed. We had seen inflation go above 15 per cent. Real wages were falling. The standard of living was falling. The standard of living was falling.

Instead of building three out of every 10 merchant ships supplied to the markets of the world, as we did just 25 years ago, we were building only three out of every 100. Our share of world trade had been halved. And living standards in several European countries were at least half as high again as ours.

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States is shouldering burdens for the defence of freedom for which all of those on this exposed flank of Europe are deeply grateful. The United States Government is also showing admirable commitment to the maintenance of the monetary discipline.

And for that too, we should be grateful. For American inflation affects us all, because of the importance of the United States economy and the dollar in the world's economy.

We and our other friends have, therefore, a legitimate interest in the success of the United States Administration in reconciling its spending obligations with its own responsible pursuit of monetary discipline. If that success were only partial, there would be a risk of continuing high interest rates, which would be damaging to recovery.

Not only would it be damaging to the developed world as well as in the industrial countries.

As I have told the House on a previous occasion, there is a country that could insulate ourselves from such pressures by the simple expedient of a floating exchange rate mechanism.

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more considered response than that one that is based on analysis of the root causes of the social blight of unemployment.

So I want to remind the House that once more of two figures that I told it all. Since 1960 the real purchasing power of the average citizen in Britain has risen by over two-thirds. But the real rate of return on the capital employed in British industry has fallen by five-sixths. In other words, our present living standards have for years been plundered from the store of investment for the future.

Not have we put to good use the investment that has been made. Too often we have tried to mitigate the inescapable consequences of poor productivity and low levels of investment in the competitive, by clinging to manning levels that could not be sustained.

We have only to recall the history of the British Steel Corporation. Had we not, throughout the middle 1970s, put off the painful choices, the corporation and those who work in it would have faced the same level of unemployment in the steel industry as we now face in the rest of the economy.

Far fewer jobs would have been lost. Acquisitions in poor productivity and low levels of investment, may put off the inevitable adjustment all the more when it comes, as it must.

And so today we face the huge task of helping to create the conditions in which the unemployed can obtain work, in jobs that will last. And, as a vital step in this, encouraging wages to be at a level which enables the more secure, jobs to be created. My principal Budget measures will help us in the right direction.

Some of the obstacles to the employment have been created by successive governments. Actions taken with exactly the opposite intention of keeping people out of jobs, actually adding to unemployment.

This Government has taken action to remove a number of these obstacles. We are seeking, by our employment legislation, to create a more reasonable balance of bargaining power between the partners in industry. But in truth we need much wider change than can be brought about by Government or Parliament alone.

Where the key point is this. Some of the gap between the levels of income which we pay to those out of work and the earnings enjoyed by those who have a job, are rates of pay which those now out of work would be glad to take, if they had the chance. But conventional narrowness of vision prevents those bargains being struck.

When jobs are in abundance, any employer who makes sure that his wages are in line with the market, by offering high enough pay to recruit and retain the workers he needs. And trade unions will naturally encourage him.

But when business is tight and jobs are scarce, the same employer owes it to the unemployed, as well as to the employed, to react to the changed market, to pay at least what would leave room for him to earn enough for further business and further investment - and so for new jobs.

In this situation too, trade unions have - or should have - exactly the same interest. That is, to secure that the market is kept up with the market, by offering high enough pay to recruit and retain the workers he needs. And trade unions will naturally encourage him.

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In framing this year's Budget it has been my purpose to give as much encouragement as I believe we can afford to an economy which is now moving in the right direction. To harken to the voices that urge us only to borrow, borrow, borrow, would be to perform no service to British industry or to the unemployed. On the contrary it would lead only to the dead end of a plummeting exchange rate or a rocketing rate of interest - most probably both.

We shall look for the commission's advice on what is possible, but, for illustration, not additional expenditure of some £150m a year excluding super-vision costs ought to be able to support around 100,000 places.

That would be excellent value for the taxpayers' money value for the community and constructive opportunity for those who choose to take part. We should indeed be ready to back this kind of development on the larger scale, if the demand is there.

The Government hope that all those in the community who could play a part in promoting this scheme will be encouraged to do so. And I hope that this new initiative will also be welcomed in all parts of the House.

MONETARY POLICY

New target for M3

I propose next to describe to the House how monetary policy will operate in the year ahead. I shall, nevertheless, do so as briefly as I can, to avoid trying to do too much in too little time.

The technically-minded will find ample solace in the laudatory prose of the Red Book. Ever since the collapse of the Bretton Woods system of fixed exchange rates in 1971, the need to control the money supply has been accepted world-wide. In the country, published targets for money growth were initiated by my predecessor in 1976, the year he had to seek help from the IMF.

Then, as now, monetary control was supported by progressively lower public borrowing. I am sure that he was right to do so. But the Government's financial restraint, to persuade individuals and companies alike that inflation would come down, was a mistake.

The medium-term target of 2 per cent a year for the money supply was a mistake. It was too narrow. It was too inflexible. It was too rigid. It was too much like a straitjacket.

It has helped us to reduce inflation. But it has also done so at a cost. We now have a real prospect of sustainable recovery. It is clear right to maintain the strategy. It is right to adjust. In the light of experience, the way we pursue it.

But maintain it we must, for it establishes the financial framework within which day to day policy decisions are taken. It is the right to do so. It is the right to do so. It is the right to do so.

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will be consistent with continued progress against inflation.

The new target represents a realistic restatement of our determination to maintain a responsible monetary policy. It should be consistent with growth of money GDP at 10 per cent a year, with continued progress against inflation, and with a strengthening recovery of the real economy.

We shall continue to monitor a range of indicators. To make this scheme work, we must do this, the ranges I have just announced will apply to both the broad measures of money supply, M3 and M1, and the narrow measure, M1.

The exchange rate also normally gives useful information on monetary conditions. For while inflation has no target for the exchange rate, its effect on the economy and, therefore, its behaviour, cannot be ignored.

Evidence on the exchange rate will continue to be taken into account. Policy decisions will be aimed at maintaining a monetary environment conducive to the reduction of inflation.

Targets for the years after 1982-83 will be set nearer the time. Slower monetary growth is central to the medium-term strategy. The path for further reductions in the rate of money growth from year to year is illustrated in the Budget Red Book. The ranges have been constructed on the assumption that there are no major changes in the exchange rate from year to year.

What I have just described provides the framework for continuing the conquest of inflation. We are winning the war. Our objectives are determined to see it through.

MONETARY CONTROL

New methods a success

I ought also to mention changes which have been made in the techniques of monetary control. From last August, minimum lending rates ceased to be posted.

The main purpose of the change was to allow market forces a greater influence on the structure of interest rates, and to allow rates to be adjusted more flexibly in response to changing economic conditions. These new arrangements have coped successfully with both the international and domestic markets here at home.

But the changes have worked to even out the flow of revenue over the year, in order to ease the problems for money market operations and monetary control generally.

Let me give three examples. Over the last nine months, Customs and Excise have taken steps to ensure that the companies concerned, to secure a more even monthly flow of VAT into the Exchequer, by adjusting the quarterly VAT on which certain traders are required to account for VAT.

Second, we are seeking a new way of charging the building societies' composite rate tax. Finally, and most important, the proposals for oil taxation, which I shall describe later, will spread the payment of petroleum revenue tax more evenly over the year.

A central element in the Government's financial policy is that the gap between public sector charges, the planning of the balance of Government revenue and expenditure.

In 1979-80, when the PSBR was similar to this year's, sales of gilt-edged stock were more than eight times larger than the sales of National Savings. This year the ratio was down to about 2 to 1. National Savings have exceeded their target, which was raised to £3,500m last autumn.

I congratulate the department on achieving these higher inflows in the current year. The Government's financial policy is that the gap between public sector charges, the planning of the balance of Government revenue and expenditure.

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It will therefore be withdrawn from tomorrow (Wednesday) and replaced as soon as possible by a new savings certificate offering a lower but still competitive rate of return.

New sales of gilts to the public in the year already in excess of £7,500m, with less emphasis on conventional long-dated high-conversion gilts. Our fund-raising policy was demonstrated by our confidence in our policies for reducing inflation. Last year we announced a new policy of diversified funding, the introduction of indexed gilt-edged stock. Over the past year sales of this indexed stock amounted to some £2,500m.

The right to buy this indexed gilt was restricted to pension funds, insurance companies and institutions in respect of their UK pension business.

I have now decided to remove this restriction. The Bank of England is announcing this afternoon a new issue of indexed stock on an unrestricted basis.

The restrictions on the existing indexed stock in the market will also be removed. The House may recall that the original prospectus for these stocks had provided policy for the possibility of removing the restrictions. This broadening of the market should increase the usefulness of indexed gilts as a funding instrument.

Our policy of diversified funding will continue next year, with conventional gilts and National Savings. In the case of National Savings, the target for 1982-83 will be £3,500m, below the figure for last year.

BORROWING

PSBR fixed at £9,500m

As well as setting a proper framework for money supply growth, the MTF views on the proper level of public borrowing in the years ahead. This cannot make excessive demands on the Government's revenue without putting upward pressure on interest rates. That is what Governments have found out to their cost.

The new revenue and borrowing projections published in the Budget envisage a further decline in the PSBR over the following two years to 2 per cent of GDP. The assumptions about growth and inflation which are there set out.

So the size of the Government's borrowing in real terms will continue to decline from year to year. This will further ease the pressure it imposes on financial markets.

But the decline in the PSBR is also a reflection of lower interest rates and lower inflation. So much for borrowing. I now turn to expenditure.

PUBLIC SPENDING

Plans allow new projects

On December 2 I announced the Government's public expenditure plans for 1982-83. Today (Tuesday) we are publishing the annual public expenditure White Paper. This sets out the plans for next year in more detail and also contains our provisional proposals for the two following years.

At the same time, the Supply Estimates for 1982-83 are being presented to the House. The House will note the new and greatly improved presentation in the White Paper. I certainly find it much easier to follow.

In the last two years these documents have been published on Budget Day, so that all the information would be available at the same time. In this way, the Budget debate can cover both sides of the account. The Treasury and Civil Service Committee is, I know, considering the handling of these matters, and I await its recommendations with interest.

I explained to the House in December why we had decided to increase planned expenditure in 1982-83 by some £5,000m compared with the plans set out in last year's White Paper.

The increases included some £1,300m of extra finance for the nationalised industries, more on defence and another £800m on special employment programmes.

They were partly offset by a general reduction in most cash limits set for the year. I explained to the House in December why we had decided to increase planned expenditure in 1982-83 by some £5,000m compared with the plans set out in last year's White Paper.

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costs of production and distribution. And in addition - which is a cut in our own tax rates cannot be a fall in the world oil-price - a fall in the world oil-price promises to increase activity worldwide, and with it the purchasing power of many of our traditional customers in the non-oil developing countries.

But that is not the whole story. When the price of oil drops our tax take from North Sea production is correspondingly reduced. Other things being equal, this would increase the Government's revenue. But that is not by as much, since the beneficial effects of the oil price fall are offset by the loss of tax revenue from the oil industry.

But in determining the size of the PSBR for the year that starts in April, I can assure the House that I have made allowance for these factors as we know them today.

Obviously, if there was to be a prolonged fall in the oil price, below the level we currently expect, then both the beneficial effect on activity and domestic prices, and the revenue-loss effect on the PSBR, would be increased. It would be wholly irresponsible for me to rule out the possibility of having to take action to correct the fiscal balance, if that were to happen.

The illustrative projections presented with last year's Budget envisaged a PSBR for 1982-83 equivalent to 2.5 per cent of GDP. This would be around £9,000m at current prices.

In the light of the latest assessment of the prospects for 1983, I have thought it right to provide for a PSBR of around £9,500m in the coming year, equivalent to 3.1 per cent of GDP.

This is about £1,000m below the expected outturn for this year. But it is also about £1,300m above what the PSBR would have been on the conventional assumptions - that is to say if the changes to income tax and specific duties which I am proposing in this Budget were only taken account of the past year's inflation.

That £1,300m is the PSBR cost of my Budget proposals. The cost of the Government's public expenditure programme in a full year is over £3,000m, compared with this year's tax and duty rates.

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THE BUDGET/Parliament

Insurance surcharge cut by 1%

Continued from page 8

The rate will be increased — by more than the expected rise in 1982-83 from £16.50 to £17.50. This will mean that it will rise by over 80 per cent since the Government took office. This represents a considerable increase in real terms.

I propose that this year I respond to a particularly important request made on behalf of the disabled to successive governments in recent years.

I propose that from April 1 the mobility allowance should be wholly exempt from income tax. This is a major step: it means an increase in net income of up to £5 a week for the working disabled. They deserve every encouragement, and the change will, I know, be widely welcomed.

PUBLIC SECTOR

Telecom to issue bond

Turning to the management of the public sector, starting with the Civil Service, the Chancellor said: The provision and organisation of welfare benefits is only one of the many tasks of Government.

The whole cost of Government administration does indeed impose a formidable burden upon taxpayers. Over the last two years, the Government's running costs amount to over £12,000m. The important task of keeping tight control of these costs is, therefore, manifest.

This is why we set ourselves the task of reducing the size of the Civil Service from 732,000 in 1979 to 630,000 by April 1984. We are on target. Numbers are down already by 57,000. We now have the smallest Civil Service for 35 years.

Local authority manpower, on the other hand, has come down by only 3 per cent since 1979. It is more than half as much as in the Civil Service. The importance of further progress means that we are looking for a more radical means of getting pay rates right, as well as controlling staff numbers.

Later in the year, the committee of inquiry into the Civil Service will be making recommendations about Civil Service pay arrangements for the future. In considering these, we shall aim to be fair to public servants, and to the taxpayer.

But the Government is also responsible for the nationalised industries. In deciding how much public finance to make available to them, the Government must be influenced by their performance. It is not easy to justify increased investment in a business which has not been fully learnt. Seven out of every ten days lost because of strikes in the last two years were strikes in the public sector. This is a continuing labour dispute, and up-to-date labour practices that should have been introduced years ago, demonstrates how far there is still to go.

In the absence of increased productivity, willingly accepted, it is not easy to justify increased investment. This is why we intend to widen the exposure of the public sector to the discipline of the market place.

One way of doing this, that has been commended on all sides of the House, is by the introduction, under the right conditions, of competitive tendering. This means that the private sector, for capital, they must also ensure that the consequent higher cost of borrowing is offset by greater efficiency.

The Government has now decided to accept, in principle, the proposal to bring the British Telecom to a competitive market. This is a move to raise market capital in this way. The return to the investor would be based on the profits earned by the Corporation.

British Telecom will be expected, as a condition of access to market finance, to keep tariff levels at least 20 per cent below the annual movement in the RPI, and to reduce real unit costs, in 1982-83, by a minimum of 10 per cent. In July to help reduce the loss of revenue from the Dery duty reduction.

We have taken account of that in proposing this year an increase that is the equivalent of 5p in the price of a typical packet of 20 cigarettes. The subject will be to go ahead with an initial sale in the summer, of up to £150m. This will be the first step in the process of exposing the performance of a nationalised industry to the judgement of the market place.

But above all it remains our purpose, whenever we transfer to the private sector assets which can be better managed there. In the private sector, the business must respond to consumer needs. The pressure on enterprises, formerly in the public sector, to do the same at once becomes much greater when they are transferred.

We have made considerable progress. There has been some controversy about the sale of the British Telecom. But for those inclined to be wise after the event, it is worth pointing out that the sale has proved to be a success. The terms were first announced.

It is, in any case, cause for satisfaction that the great majority of Amerghem employees are now shareholders in the enterprise for which they work. This is the great majority of people, that is the right kind of public ownership.

Legislation is on the statute book enabling us to transfer to the private sector the British Transport Docks Board, and British Airways, and to permit the sale of subsidiaries of British Telecom and British Rail. Within the last few weeks we have transferred the National Freight Company to a consortium led by its own managers. And British Aerospace, and Cable and Wireless, are now firmly established in the private sector.

Our plans assumed that asset sales of this kind would total about £150m this year. We expect to achieve that target. The Government's long-term plan for further disposals in the next two years.

We are seeking powers to sell the offshore assets of British Gas to permit the introduction of private capital into the Gas Supply Company. The most important transfer will be the sale of 51 per cent of BIOC's oil-producing business, for which a Bill is now before the House.

I now turn to what can be done in this Budget directly to benefit business, industry, and hence jobs. I propose, therefore, to limit the increases in the duties on both petrol and diesel to amounts which no more than compensate for one year's inflation.

The duty on petrol will accordingly increase by the equivalent, including VAT, of about 2p a gallon. The duty on diesel will increase by the equivalent, including VAT, of about 2p a gallon. This will still leave most pump prices lower than they were at the end of last year.

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right, at least at this stage, not to impose any real increase in the oil duties. I propose, therefore, to limit the increases in the duties on both petrol and diesel to amounts which no more than compensate for one year's inflation.

The duty on petrol will accordingly increase by the equivalent, including VAT, of about 2p a gallon. The duty on diesel will increase by the equivalent, including VAT, of about 2p a gallon. This will still leave most pump prices lower than they were at the end of last year.

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responsible for exploration and development. It is important for them as well as for the British people that the rewards should be fairly shared.

Last year, in the light of the massive increase in oil prices which had occurred in earlier years, the structure of North Sea tax was made responsive to changes in price. At the same time tax revenue from the North Sea was brought forward with an increase in the total level of taxation.

I also invited the industry to suggest better ways of raising the revenue we needed. I am grateful to them and others who have commented on the matter with care and considered responses.

As I have mentioned, the current fall in oil prices reduces the revenue the Exchequer receives. I recognize that it reduces the revenues of the oil companies as well — but it also reduces the tax they have to pay.

Detached studies convinced me that the subject of marginal adjustment, the total tax burden is not such as to discourage exploration or development. Not is it so high as to deprive the oil industry of a reasonable, and often attractive, yield.

These circumstances I cannot reduce the overall tax burden to the extent that the industry would have wished. But I do agree with the need for some change of structure. I see, in particular, the advantage of profit-related taxes in relation to investment in existing fields.

The supplementary petroleum duty will therefore be abolished from the end of this calendar year.

I propose at the same time that the rate of petroleum revenue tax should be increased from 70 per cent to 75 per cent. These arrangements should be introduced for advancing PRT payments. Advance payments of PRT should be made by the same way as SPD, will not be a separate tax but simply an acceleration of the existing tax.

As from mid-1983, there will also be a change in the system of payment of PRT in order to secure a smoother public sector cash flow.

These changes will not affect the revenue yield of rather more than £1,000m per annum. But in 1983-84 there will be a net cost, after allowing for the saving in interest due to the new system of instalment payments, of some £100m.

I have proposed earlier about oil prices and the future yield of tax from the North Sea. It reflects the concern felt by the industry about the number of changes in the regime there have been in recent years.

At this time, my hope is that the new tax structure I have proposed will provide a more secure and stable regime for the future, permitting development of the North Sea to proceed without undue uncertainty.

I propose a number of other minor changes, partly in response to the views put forward by the industry. And I propose that regional development grants paid in respect of expenditure incurred after Budget day should be taken into account for the purposes of PRT and ring fence corporation tax.

We shall also need to legislate to deal with the complex special provisions affecting PRT expenditure reliefs, pipeline tariffs, and other non-oil receipts: these will be the subject of a separate Bill, which will be issued shortly.

These fiscal measures, combined with the decision to abolish the state's sole right to buy gas, and on the creation of the new private sector oil company, will provide a new era of another decade of successful enterprise in the North Sea.

I turn now from the energy industry to the problems we have given a great deal of attention in recent years.

Foot's verdict: This is a budget of threads and patches. After a while the only person who will be enthusiastic about it will be the Chancellor of the Exchequer. It is a budget which fails to match the reality of our problem and which fails to look at the mass of human misery involved in unemployment figures on this scale.

It is a budget which does not measure in any sense the enormous task which faces the nation.

area to which, this applies the micro-electronics and information technology. The Government has already given a lead by designating 1982 as Information Technology Year. We have already authorised investment of well over £2,000m in the British telecommunications network in the coming year — more in real terms than at any time since 1974-75.

This investment will breed new services, new firms and new jobs. So will the development of electronic and computing technology, such as the new Mercury network for business.

Because new technology is important to a wide range of industries, I propose to make a further allocation for this purpose. The Secretary of State for Industry, Mr Peter Jenkins, will shortly be announcing a series of new and expanded schemes. These will include additional assistance towards research and development, including the introduction of a special scheme of assistance to small enterprises.

Fourth, so-called Section 233 loans. These are co-ordinated arrangements under which interest paid on certain bank loans is treated as a deduction from tax in the hands of the banks. In future these payments will be taxed like other interest payments. The new rules will apply from 1 April 1982, but will take effect from 1 April 1983.

Fifth, by taking advantage of double tax relief banks can lend overseas at abnormally low interest rates at the expense of the UK taxpayer.

I propose to include in the coming Finance Bill measures to stop this exploitation of our tax system. The measures will be from April 1982 but will apply only to interest arising from April 1983.

While the measures I have announced will help, we shall need to give much further thought in the coming year to the problem of how best to ensure a sufficient contribution to tax revenues from the banking sector. The problem is not an easy one, as the benefit of some of the devices I have just described is shared between the banks and their domestic customers.

There is a danger that measures directed to ensuring that the banks pay a more equitable amount of tax are all too simply by-passed by the banks. The problem is to ensure that the tax is borne by their customers. For these reasons I have foreborne from taking action earlier, but as Burke said "There is however a

year, so as to avoid further increases in the list prices for foundry coke until the winter. The board's deficit grant and cost-cutting measures will be adjusted accordingly and the cost will be met from the contingency reserve.

Last year I announced the introduction of grants towards the costs of converting from oil-fired boilers to coal. We have now decided to extend the scope of these grants to cover conversion of industrial plant, including equipment and conversions of gas-fired equipment to coal.

The scheme will also now cover conversions in service industries as well as in manufacturing. At the same time we are reducing the qualifying threshold for the total project cost from £25,000 to £15,000. This will help a large number of smaller firms, particularly in the hard-wearing oil-fuelled industry. The cost of these changes will be met from within the £50m already allocated for this scheme.

Taken together, with the measures announced in my last Budget, these three measures — special arrangements for large electricity users, the freeze on gas contract prices, and on oil prices for foundry coke — should reduce the energy costs of British industry, compared with what otherwise would have been, by over £250m over the two years concerned. They represent a serious and significant response to the industry's representations on energy prices.

I turn now to the continuing effort to encourage innovation in industry. If we are to win still more worthwhile orders both at home and abroad, British industry must continue to improve its design and production techniques.

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limit at which forbearance ceases to be a virtue".

On a different note, a number of building societies have recently issued a new form of negotiable bond. I have no reason to believe that an improper use has been made of these new bonds. But as an obvious precaution, I propose to extend existing provisions dealing with the "manufacture of dividends".

I also propose some tightening up of the law relating to very large golden handshakes. The tax relief will be withdrawn on the excess of sums over £75,000 will be fully charged to tax.

We owe it to the ordinary taxpayer to take action in these fields. I am confident that the cost would fall if we did not do so.

CONSTRUCTION

Higher grants for repairs

I now revert to my principal theme: help for business and industry, and hence for jobs and people. Last year's Budget contained a number of measures to help the construction industry, an industry which can make a particularly significant contribution to the economy. It is, accordingly, right to give it further help this year.

I have already mentioned, in my last Budget, the measures to provide work for the construction industry in 1982-83 worth about £10,250m — an increase of 14 per cent.

This year local authorities have greatly underestimated the success of our policy of selling council housing. The extra revenue which this is bringing in has not been spent.

For 1982-83, they have been assessed that they can spend up to a total of £13,000m on housing. This will include about £1,000m of funds which they can expect to receive mainly as a result of the measures to the right-to-buy legislation. This should allow an increase of nearly a third in the scale of their capital spending, compared with what they seem likely to spend in 1981-82.

In addition I now propose a change for 1982-83 designed to help private home-owners whose houses fall short of today's standards.

The value of grants given for major repairs and for the provision of basic amenities in the home, under the home improvement grant system, will be increased from 1982-83 to a maximum 50 per cent of the eligible cost, instead of the 75 per cent currently available.

This increase of grant will apply only to applications received before the end of 1982. The purpose is not to add to longer term demands on the public purse, but to encourage the take-up of immediate spare capacity. We also intend both to enable more people to get grants for home insulation and to increase the value of these grants.

To pay for these changes and to encourage local authorities to make more general improvements to their housing, we have increased the rate of the grant by 10p per square foot. This will be over and above the expenditure on the grant. The Secretary of State for the Environment, Mr Michael Heseltine, has already announced that in 1982-83 he will give priority to inner city projects that offer the greatest degree of participation by the private sector.

Building on this, up to £70m of the provision for the urban programme and for derelict land reclamation in 1983-84 will be earmarked for projects that encourage participation by the private sector.

We have also decided to offer further encouragement to the private sector and to nationalised industries to bring derelict land into productive use. We shall increase the grants payable, from 50 per cent of the cost, to 80 per cent, in assisted areas and derelict land clearance areas when legislation can be brought forward. The cost will be contained within the existing programme.

In addition, we shall give further encouragement to new private investment in housing for rent.

I now propose to introduce capital allowances, at the rate of 75 per cent for the first year only, for expenditure on the construction of new houses wholly for letting as assured tenancies by bodies approved by the Secretary of State. The scheme will run for an experimental period of five years, from 1 April 1983. Allowances may be claimed for expenditure incurred as from today.

In my Budget two years ago, I introduced the small industrial workshop scheme, under which industrial buildings of less than 10,000 sq ft, claimed on the construction of small buildings at the rate of 100 per cent. The scheme has been a resounding success.

More than 5,000 new workshops have already been constructed, at an estimated Exchequer cost, spread over several years of £125m to £150m.

The scheme has succeeded in increasing the stock of industrial buildings at or near the upper size limit. But there has been relatively little investment at the very small end of the range. I therefore propose to extend the scheme for very small workshops, of not more than 1,250 sq ft, for a further two years, until March 1985.

I also propose to bring within the scope of the industrial buildings allowance certain kinds of servicing, repairing and warehousing activities. This too will improve the small workshop scheme.

I also propose to deal with the high cost of certain kinds of building alterations, where there has in the past been serious doubt about what was liable to tax.

Recent judgment of the House of Lords would have led, if applied in its entirety, to VAT being charged at the standard rate on a range of non-structural building alterations which had previously been free of charge. This, I believe, would have been a very serious and unjustified increase in the cost of building alterations, and an extra £80m of tax on the industry, which it can ill-afford at present.

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clarity needed, but in a way which will relieve the industry of all but £10m of the extra tax burden.

I shall, in due course, lay before the House an Order, which will have the effect of continuing to zero-rate three important kinds of alterations which might otherwise be adversely affected by the House of Lords' judgment. These are the most commonly recognized forms of double glazing, loft and cavity wall insulation and damp-proofing. This useful simplification of the law will cost the revenue about £70m a year.

The other kinds of non-structural alteration covered by the judgment will become subject to VAT but, pending the completion of discussions with the industry, no steps will be taken to apply the tax before the beginning of September.

Final proposal in this area concerns stamp duty on house purchases. I propose to raise the exemption from £10,000, to £15,000, and the other thresholds also by the same amount, to a total of £70m in 1982-83.

This change should be widely welcomed. It will help to improve the housing market and give encouragement to house construction. But most of all it will help those who have been saving to buy their first home. It represents a significant extension of the property-owning democracy.

SMALL FIRMS

A stimulus to investment

And, taken together, these proposals will mean more work for the construction industry, and more jobs for those who work in it.

Evidence in the measures I have announced so far is the Government's consistent determination to help create the right conditions for the new investment in the construction industry. In this Budget, like its two predecessors, is designed also to provide a special tonic for small businesses.

There can be no doubt that higher rates of interest and the consequent reluctance of companies to borrow long-term at high rates have caused a serious distortion of balance sheets. Too much reliance is now placed on short-term bank finance. As a result, there is a constant pressure on monetary growth.

A number of suggestions have been made for reducing the burden of interest rates on companies. We have decided to do this. Mr Michael Gifford (North West Surrey, C) and others for the way in which they have focused public attention on the problem. In many cases, the selectivity in the remedies proposed would favour lending by the banks, and leading to "tax-exhausted" companies.

We have considered these ideas very carefully. But they raise difficult questions of principle, and we are not persuaded that they offer the solutions to the problems they are designed to solve. Moreover, consultations are still not complete on the proposals for a new scheme, which raises major questions about incentives to investment, and we are still considering how best to ensure a proper balance between tax revenue by the banking sector.

However, we can all agree that the basic problem of financing the expansion and investment demands urgent and continuing attention. A particularly important aspect of this is the provision of equity capital. It is not enough to have some proposals to make.

The business start-up scheme, which provides income tax relief on the equity of companies starting new trades, has been widely welcomed. I propose for 1982-83 to increase the annual limit from £10,000 to £20,000.

As less than a full year has elapsed since the start of the scheme, many potential investors may have been unable to use up the full £10,000 limit in 1981-82. I therefore propose that in such cases the unused balance of this year's limit should be added to next year's. This means that, in some cases, the effective limit for 1982-83 will be £30,000. These improvements should provide a further stimulus to investment in new enterprises.

There is also a need to encourage small businesses generally is concerned, many people have emphasised the importance of the new provisions introduced by the Finance Act for companies purchasing their own shares.

Clearly it would be wrong to change the law in such a way that these provisions could be used to pay out what would amount to tax-free dividends. But I think it would be desirable to allow a company to claim a credit for the amount of tax which it has paid on its shares, which will significantly increase the attractions of equity capital, both to the investor and to the entrepreneur.

Fight for further inflation control

The financial framework

The Government's policy is to maintain monetary conditions that will bring about a further reduction in inflation. Over a period of years there has been a reasonably stable relationship between the monetary aggregates and money gdp and prices.

In the short run, however, the relationship between any one measure of money and money incomes may be influenced by a range of factors including the behaviour of the exchange rate, the level and structure of interest rates, changes in savings behaviour, and the balance between interest rates and fiscal policy, as well as institutional changes.

Both broad and narrow measures of money convey useful information about financial conditions. Different measures of money have tended to grow at comparable rates in the longer term, though there have been sharp differences in the year-to-year growth rates.

In the first part of the period since the mid-1970s narrow measures of money grew more rapidly than wider measures. This pattern has been reversed in the last three years. Changes in the pattern of monetary growth have reflected changes in the level and structure of interest rates and the effect of changes in savings behaviour on total financial asset holdings.

The case for looking at a range of measures is especially strong when the financial system is undergoing rapid change. The relationship between the different aggregates has recently been affected by innovations and structural change in financial markets, as well as temporary distortions.

The behaviour of the exchange rate can help in the interpretation of monetary conditions, particularly when the different aggregates are known to be distorted. The exchange rate is a route through which changes in the money supply affect inflation. It can also be an important influence on financial conditions.

External or domestic developments that change the relationship between the

domestic money supply and the exchange rate may therefore disturb the link between money and prices, at least for a time. Such changes cannot readily be taken into account in setting monetary targets. But there are a number of reasons why the Government considers it appropriate to look at the exchange rate in monitoring domestic monetary conditions and in taking decisions about policy.

Recent financial conditions

The growth in EM3 over the year to February 1982 is now put at a 14½ per cent compared with a target of 6-10 per cent and an estimated growth in money gdp of around 10½ per cent in 1981-82.

In the last year all the broad measures of money have continued to grow more strongly, relative to money gdp, than might have been expected, given the high level of interest rates and the past upward trend in velocity. The demand for liquid balances as a medium for saving, rather than spending, seems to have increased significantly in the last three years, implying a shift in velocity.

The growth in the wider monetary aggregates has been part of a marked rise in the private sector's total holdings of financial assets relative to income. This may reflect in part the expanding role of the banks as financial intermediaries. It may also be the result of the private sector's attempt to restore the real value of financial assets eroded by past inflation.

Some of the recent growth in EM3 certainly reflects institutional changes. The removal of artificial constraints on money and credit markets is having far-reaching effects on bank behaviour. The most obvious example is in the area of mortgage lending. To the extent that this lending is not additional, but reflects a transfer of business from other financial institutions, it will raise the growth of EM3 relative to other measures of money.

While financial markets are still in the process of adjustment to these structural changes, wider aggregates, which include deposits with

A more optimistic forecast of the economy is presented in the Financial Statement and Budget Report (the Red Book) accompanying the Budget than the Chancellor gave in his statement last December (Frances Williams writes).

● The growth of national output this year is put at 1½ per cent compared with last year, up from the 1 per cent predicted in December and more in line with forecasts by other independent agencies, including the Keynesian National Institute for Economic and Social Research and the London Business School.

By the first half of 1983 the Treasury expects growth of about 2 per cent over the same period a year before.

● Inflation is forecast to fall to 9 per cent by the end of this year and to 7½ per cent by mid-1983, rather than 10 per cent by the end of 1982 as forecast in December.

● The balance of payments on current account is reckoned to have been in surplus by a record £8,000m in 1981, about £2,000m higher than previous estimates, halving to £4,000m this year and £3,000m in the first half of 1983, expressed as an annual rate.

The Chancellor has taken the opportunity to recast his medium-term financial strategy, has been badly dented by huge overshoots in his main target measure of money, sterling M3.

But he has not left himself much room for a giveaway Budget next year. The "implied adjustment" is only £500m in 1983-84 on spending and revenue projections, rising (after the election) to £2,000m.

● Money growth targets have been revised upwards to 8-12 per cent for the 1982-83 financial year, compared with the 5-9 per cent projected in the Budget last year. The targets fall to 7-11 per cent in 1983-84 and 6-10 per cent in 1984-85.

● The target ranges now apply to the narrow measure of money M1 and the wide measure PSL2 (Private Sector Liquidity) as well as to sterling M3.

● No target is set for the exchange rate but its movement will be looked at in assessing monetary conditions.

● Public sector borrowing as a percentage of GDP falls from 4½ per cent on 1981-82 to 3½ per cent in 1982-83, 2½ per cent in 1983-84 and 2 per cent in 1984-85, a little more slowly than previously hoped.

other financial institutions as well as banks, may be a valuable guide to the growth of broad money, though these aggregates may also at times be affected by institutional changes.

Despite the relatively rapid growth in broad money, the balance of the evidence suggests that, as intended, financial conditions have been moderately restrictive during the past year. This is supported by the growth in narrow money and the performance of money gdp. Real interest rates have been high, as in other countries.

Asset prices have been relatively weak. Notwithstanding the previously excessive growth of domestic wages, relative to other

countries, the exchange rate has stayed at or above its May 1979 level, and this has ensured that pressure on costs and prices has been maintained.

Revenue

The growth of government revenue in cash terms over the medium term will be strongly affected by the growth of incomes, spending and prices. Figures for the Sea oil tax revenue rest on the assumption that, on average, North Sea oil prices will be broadly maintained for the rest of 1982 at the levels set for March; thereafter oil prices are assumed to rise roughly in line with world inflation.

Conclusion

The projections indicated fall within a very wide range of possible outcomes. If the domestic and world economies develop in a different way the projections of public finances could be substantially affected. The policy response to such changes would depend on their nature. But the intention would be to hold firmly to the central purpose of the strategy by steady, but not excessive, downward pressure in the monetary variables.

The key to sustained recovery lies in moderating the growth of costs and increasing the returns to investment and enterprise. Within the financial framework set out here, this would make room for a faster growth in output, without damaging the outlook for inflation. The longer-term prospects for higher growth and employment would thus be much improved.

The economy: Recent developments and prospects to mid-1983

1981 saw substantial progress in the United Kingdom in reducing the growth of costs and in improving competitiveness, and the beginnings of a recovery in profitability. Against a background of weak world demand and a level of competitiveness 30-40 per cent less favourable than in 1975, United Kingdom exporters battled, and then reversed, the decline in export volumes that had begun in early 1980. The transition to a much lower rate of increased costs owed much, above all in manufacturing, to a better productivity performance which, in the short run, has been accompanied by a higher level of unemployment.

The growth rates envisaged for the monetary aggregates, and for public sector debt, leave room for further recovery in both output and profitability provided that there is, as forecast, no more than a moderate rise in costs and a fall in the inflation rate.

The world economy

The speed of world recovery over the next year or so will depend in part on the stance of policy in industrialised States and other countries and on success in reducing the inflation rate further. High real interest rates are likely to persist for some time, affecting both the level and composition of output. It seems likely that there will be no more than a modest recovery in 1982, with output in the main industrialised economies rising little more than 1 per cent for the third year in succession. Growth may speed up a little by the end of the year, and into 1983. World trade in manufactures (weighted by United Kingdom trade) is forecast to

rise about 4 per cent in 1982, much the same as in 1981, as some recovery in industrialised economies' trade compensates for slower growth in Opec imports.

Over the next year or so, moderation in unit labour costs should continue to exert downward pressure on the rate of inflation; so too should weak commodity prices. Competitive pressures on firms to limit price rises, though not as intense as in late 1980 and early 1981 (when the exchange rate was higher and the level of demand lower), are likely to remain strong. These factors, in addition to the specific influences on the RPI from a slower rate of increase in housing costs and the effect of Budget measures, should result in a further substantial fall in the rate of inflation. By the fourth quarter of 1982, the RPI may be 9 per cent higher than a year earlier; and by mid 1983, 7½ per cent.

This fall in the rate of inflation should be compatible, given the trend in costs and the Budget measures, with a further improvement in profit margins. The rate of return on companies' assets (at current replacement cost, and excluding Companies engaged in the North Sea) which fell from 5 per cent in 1979 to about 2½ per cent in 1981 should show some recovery in 1982, though it is unlikely to reach the 1979 level.

Demand and activity

Consumers' real incomes rose strongly up to 1980, but the fall in the rate of wage increases, the fall in employment and the increase in taxes and National Insurance contributions led to a fall of perhaps 2 per cent in 1981. With the help of large bank borrowing, the impact of these changes was very

largely on savings, with consumers' expenditure little changed in either 1980 or 1981.

By contrast, over the same period companies experienced a major fall in their real income, and cut their expenditure by even more, against a difficult financial background of falling profitability and high interest rates. By the second half of 1981, however, companies' real incomes had begun to rise and so too had their expenditure, mainly reflecting much reduced rate of stockpiling.

A further small fall in the real incomes of consumers is expected in 1982, levelling out in the first half of 1983. Some fall in the saving ratio is again likely, mainly in response to the fall in real income, but also because the decline in the inflation rate reduces the amount of saving necessary to maintain interest in money terms. Consumers' expenditure over the forecast period may well continue at least at the level reached by the end of 1981. Together with some recovery in private housing, this points to a further decline in the financial surplus of the personal sector.

With positive real interest rates, with the changed tax position on stock relief and with the move by companies into financial surplus which occurred in 1981 liable to be only temporary, any build-up of savings may not proceed far over the next year.

Total domestic demand, which is estimated to have recovered by 3 per cent between the first and second halves of 1981, should increase further in 1982, perhaps by 3 per cent. The rise in UK output will depend also on the extent of the rise in import penetration, and on

the performance of UK exports. The forecast is for a moderate rise in total output and in manufacturing output.

For 1982 as a whole, there may be a rise of 1½ per cent in total output with a 3 per cent increase for the manufacturing sector. The rise in total output between the first halves of 1982 and 1983 is forecast at 2 per cent.

Productivity The rise in productivity during 1981 was substantially more than would have been expected at this stage in the cycle. Outside manufacturing, the same tendencies have been observed, though to a lesser degree. Over the forecast period, further gains in productivity are in prospect.

As the recovery in demand and output gathers momentum, and as profitability recovers, so there are better prospects for employment. Already, many labour market indicators, including average hours worked and unfilled vacancies, have strengthened in recent months.

For the purposes of the economic forecast to mid 1983, it is assumed that the average level of the effective exchange rate will not be very different from the levels of the last six months. Together with a slowdown in the growth of earnings, this implies some further reversal in the earlier loss of competitiveness.

Successive business surveys from late 1980 pointed to an improvement in export performance. The prospects are for the high level of late 1981 to be more than maintained. Experience of export deliveries in 1981, together with the improvement in competitiveness since the early part of the year, suggest that on balance there should be no further adverse effects from cost competitiveness over the next year.

PUBLIC SECTOR BORROWING REQUIREMENT AND MONEY SUPPLY

	1980-81	1981-82	1982-83	1983-84	1984-85
Total general government expenditure	107.8	118.7	131.5	138	148
Total general government receipts	-94.0	-109	-121.5	-130	-143
(of which from North Sea Tax)	-3.9	6.4	6	6	8
Implied fiscal adjustment	13.9	10.3	10	8.5	5.2
General Government Borrowing Requirement	13.9	10.3	10	8.5	5.2
Public Sector Borrowing Requirement	13.2	10.1	9.5	8.5	6.7
SBR as % of GDP at market prices	5.7	4.2	3.8	2.4	2.4
Target range for monetary growth	7-11	6-10	8-12	7-11	6-10

CONSTANT PRICE FORECASTS OF EXPENDITURE, IMPORTS AND GROSS DOMESTIC PRODUCT

	Consumers' expenditure	General Government expenditure on goods and services	Other fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus Statistical Adjustment	Gross domestic product at factor cost	GDP index 1975=100
	Final consumption	Fixed investment	Total								
1980	71,450	24,350	29,000	27,250	17,850	32,600	21,500	-2,150	147,550	124,500	107.3
1981	71,450	24,350	29,000	27,250	17,850	32,600	21,500	-2,150	147,550	124,500	107.3
1982	72,000	24,600	1,900	26,500	18,000	33,700	21,500	300	150,500	127,000	108.6
1980 First half	35,800	12,100	1,500	13,600	9,050	16,850	10,750	-1,300	74,800	62,800	108.5
Second half	35,650	12,250	1,400	13,650	8,800	16,800	10,750	-1,350	74,750	62,700	108.5
1981 First half	35,650	12,250	1,400	13,650	8,800	16,800	10,750	-1,350	74,750	62,700	108.5
Second half	35,750	12,350	1,500	13,250	8,750	16,700	10,750	-1,350	74,200	62,300	108.5
1982 First half	36,000	12,250	950	13,200	8,900	16,800	10,750	-1,350	75,000	63,300	108.6
Second half	36,000	12,250	950	13,200	8,900	16,800	10,750	-1,350	75,000	63,300	108.6
1983 First half	36,150	12,400	950	13,350	9,000	17,300	10,750	-1,350	76,300	64,000	108.2
Percentage changes											
1980 to 1981	0	0	-31	0	-31	-1	-1	-1	-1	-2	1
1981 to 1982	1	1	-61	0	4	3	3	3	3	3	1
Percentage changes											
First half 1982 to First half 1983	1	1	2	1	5	3	2	3	1	1	2

* GDP figures in the table are based on "comprehensive" estimates of gross domestic product. Figures in £ million are rounded to £50 million. Percentage changes are calculated from unrounded levels and then rounded to half per cent. The GDP index in the final column is calculated from unrounded numbers.

PARLIAMENT continued

Continued from page 9

either for them to pay the income tax chargeable on the exercise of such an option, by providing that it should be collected over three years, rather than in a single sum.

In the last two years, we have substantially relaxed the rules for tax relief for interest on money borrowed to invest in small companies. This year I propose to move a stage further. If a shareholder works full-time in the management of a company, he will in future be able to qualify for tax relief to invest in that business even though he does not have more than 5 per cent of the shares.

Now, loan finance. In my last Budget I announced the establishment of a pilot Loan Guarantee Scheme. This scheme started in June 1981. Since then the demand for loans has far exceeded expectations.

Last October, in response to the demand, we increased the allocation for the first year from £50m to £100m; but with 2,700 loans worth almost £1,000m already approved after only nine months, some further increase is desirable.

Accordingly, I propose to increase the amount which the participating institutions may lend to £150m for the first year. In addition a further £150m will be available for loans under the scheme during its second year, to June 1983.

I also propose that the limits for the "small companies" rate of corporation tax should go up again from £80,000 to £90,000, and from £200,000 to £225,000. This will mean that this Government has increased the lower limit by 80 per cent and the upper limit by more than 150 per cent.

As a further help for new businesses, the period for income and corporation tax relief for interest on money borrowed to invest in small companies will be extended from one to three years.

Many MPs, I know, have been impressed by the value of the work done by local enterprise agencies. These agencies depend in the main on businesses already established in the local community. They clearly play a valuable part in helping small local firms to start and to prosper.

I therefore propose to allow businesses to deduct for tax purposes the contributions they make to certain enterprise agencies which concentrate on helping small firms.

I hope this measure will encourage more widespread support for such agencies. The relief will be available from March 31 and will run for 10 years.

On VAT, I have two principal changes to propose. The registered threshold will be increased from £15,000 to £17,000. And I propose to introduce VAT relief for goods supplied to small businesses. This measure, and the extension of relief for pre-trading expenditure, will reduce the costs of starting a new business.

The total revenue cost of these measures to help small firms is about £20m in a full year.

I also want to make it easier for those who have recently left school or college to start a business. Hitherto they have not been able to qualify for the so-called 7½ certificates under this measure, and the extension of relief for pre-trading expenditure, will reduce the costs of starting a new business.

The certificates are widely used in the industry but the existing rules require an individual to show that he already has three years good record as a taxpayer before he can secure a certificate. By definition, someone who has just left school or college cannot qualify under this three-year rule.

I now propose to change it, so as to enable school and college leavers to obtain special certificates for the first three years of their business. This scheme will help many of those who have just left school or college to start a business. It will also help to reduce the costs of starting a new business.

I also propose to alter the present restrictions on the relief to allow more self-employed people to benefit from these higher levels. These changes will cost £12m in 1982-83 and £25m in a full year. They will provide a significant improvement in the position of the older contributors whose lifetime savings have suffered particularly from high rates of inflation in the 1970s.

The self-employed pay a key

role in the economy. Their contribution to its vitality, its adaptability, is apparent to all. Along with the self-employed, they fully merit this extra encouragement.

CAPITAL TAXES

CTT threshold up to £55,000

I turn now to a part of our tax system which is impeding the growth of working capital markets and doing injustice to individuals and businesses alike: the capital taxes.

There are a number of wide differences of view about the principle of taxing capital. But there is no case whatever for maintaining a system of capital taxes which, by holding back business success and penalising personal endeavour, does serious economic and social damage.

In each of the last two Budgets, we have taken significant steps to reduce such damage. Proposals carrying this process a stage further today.

The threshold for capital transfer tax will now be increased to £55,000. The rate bands which apply above the thresholds have remained virtually unaltered since the tax was introduced in 1975. It is time they were extended.

Under the new scale, details of which will appear in the FBR, the top rate of tax will be reached at £2.5m. In real terms, this is still not as high as the figure set by my predecessor, when he introduced the tax, in 1975. The lifetime scale will be improved to a similar extent. The cost this year will be £35m; and in a full year £85m.

I also propose that the indexation principles, already applied to income tax allowances, should in future apply as well to the CTT thresholds and bands.

I should add that it is my intention that the Finance Bill should deal with the new regime for settled property. Draft clauses were published in December last, but they have not yet been received. I will help us to clarify and improve the provisions. They have more than justified their presence in our Budgets. I am grateful to all those who have contributed.

There will also be a number of technical provisions related to the heritage. I have decided, in the light particularly of the reductions in the lifetime rates of charge I made last year, not to alter the rate at which the periodic charge is payable. I also propose that foreign

currency accounts belonging to individuals who have no connection with the United Kingdom should be brought within the scope of the tax. It is important for London's position as the world's leading financial centre that this matter should be cleared up.

It is also important that the incidence of capital gains tax on inflationary gains. This is a matter which has rightly given rise to a great deal of discussion. No one has yet succeeded in finding a solution to this problem.

Innumerable proposals for full indexation, for tapering and for other measures have been put forward. None, unfortunately, overcame all the practical difficulties. I cannot, however, rule out any one of them.

I propose, therefore, that, as from this April, gains, including those of companies, will, in principle, be calculated after taking account of inflation which occurs after that date. No relief, however, will be given in respect of the first year of ownership.

The problem we seek to solve is one which relates essentially to assets held for a period of years, and it would not be appropriate to extend relief to assets bought and sold within a comparatively short period of time.

There will be no revenue cost in the coming year. In 1983-84, the cost of these two measures will be £50m.

But this ought not to be looked upon as a cost to the Exchequer. It is rather a measure of the tax which ought never to have been levied in the first place. This change is a move towards simple justice, which should be welcomed on all sides of the House.

The benefit of these measures will be of substantial help to business as well as the individual. They will significantly increase the attraction of equities to United Kingdom taxpayers. One result should be that companies can raise more equity at lower cost than would previously have been possible. An increase in the supply of equity issues by companies will help to reduce

their dependence on bank borrowing.

I also propose a number of other specific changes: in future, rollover relief will be available on compulsory purchase; and, completing our policy of avoiding a double charge to CGT and CTT on assets transferred by gift, the relief will also be available on assets coming out of trust. These proposals involve no cost this coming year and a cost of £11m in 1983-84.

I believe that these changes, taken together, will be widely welcomed as a further major reform of the capital taxes.

INCOME TAX

Allowances to be raised

But for the vast majority of individuals whose real incomes are rising, the income tax is far and away the biggest source of Government revenue. This year we will increase the allowances which will contribute to the total sum of this Budget by about £30,000m to the Exchequer.

Quite rightly, people look for some reduction in their own tax burden. As I have explained at the outset, and demonstrated by my own proposals, the paramount aim of this Budget is to help industry, to encourage business, to create jobs. But I want also to assist people to pay less tax.

People need industry; but industry also needs people — as workers, as customers, as investors. We remain firmly committed as ever, over the years, to reduce the burden of direct taxation. It is essential to do so, to improve incentives, to remove disincentives, to reduce the poverty trap.

There are always, of course, competing arguments as to whether one should reduce the tax on income or the tax on profits, or thresholds at which people pay tax. Any Chancellor would like to be able to do both. But this year, given the principal aim, I have had to make a choice.

We have already reduced the basic rate of tax from 33 per cent to 30 per cent and reduced the higher rates of tax as well. I propose, therefore, to concentrate the relief that is available this year on raising the tax thresholds.

The single personal allowance will be increased by £100 to £1,555, and the married allowance by £300 to £2,445. The additional allowance for single parents will, as a consequence, rise by £110 to £280. So

too will the widow's bereavement allowance. And there will be corresponding increases in the thresholds for the higher rate threshold and bands, and the threshold for the investment income surcharge. Effect will be given to changes under PAYE as from the first pay day after April 26.

These increases are up to two percentage points more than the 12 per cent required to take account of inflation in 1981. They are worth £1,800m this year and almost £2,500m in a full year.

As a result, some 1,200,000 people who would have paid tax next year will now have to pay none. This news will be very welcome both to the House and to the country at large.

In framing this year's Budget it has been my purpose to give as much encouragement as I believe I could to the private sector which is now moving in the right direction.

To hearken to the voices that urge us only to "borrow, borrow, borrow" would be to do a disservice to British industry or to the unemployed. On the contrary, it would lead only to the dearth and of a plummeting exchange rate or a rocking rate of interest — or both.

Better by far to secure, as I have done, a prospective level of borrowing that is below that of the year now ending — and so to maintain our progress towards stable prices.

No let-up signalled to the tight rein on public cash

By Melvyn Westlake

Public spending in the coming financial year is predicted to be £114,900m, or about 9.2 per cent higher in cash terms than the likely out-turn for the present financial year. The figure for 1982-83 is £125m lower than shown in the White Paper on Expenditure published yesterday, which does not take account of various measures announced in the Budget.

Spending in the two subsequent years is also predicted to be lower, by about £700m, than shown in the White Paper. After allowing for yesterday's measures, expenditure in 1983-84 will rise 4.8 per cent in cash (compared with the intended plans for the coming year) to £129,400m and by a further 8 per cent in 1984-85 to £137,600m.

Main features of the Government's plans for expenditure in 1982-83 were announced by the Chancellor on December 2, 1981. This White Paper now gives a fuller account of the plans for the years 1982-83 to 1984-85.

The planning total for 1982-83 is £115bn, some £25m higher than the cash equivalent of the programmes set out in the last White Paper, and some £9bn higher than the expected out-turn for 1981-82. The planning totals for 1983-84 and 1984-85, £129bn and £138bn, are also higher than the expected out-turn for those years.

In 1981-82 the total out-turn is expected to exceed plan by nearly £1½bn, chiefly in respect of local authorities' current expenditure. This has been taken into account in the planning figures for 1982-83 onwards. The plans have been increased in other areas, notably nationalised industries' finance, employment services and defence. These increases have been partly offset by reductions elsewhere.

Cash planning Public expenditure is now planned in cash, not in the constant prices used in previous White Papers. The cash plans embody the principle, already well established in the system of cash limits, that levels of service must be determined in the light of the finance available.

1981 was a transitional year. The starting point for the 1981 public expenditure survey was the constant price ("volume") plans of the March 1981 White Paper, converted into cash in the way explained in this White Paper.

The Government then took the decisions resulting in the changes summarised below. Some of the changes included allowance for pay and price movements expected to be made from the general factors used to revalue the previous plans. The services which can be provided within these cash totals will depend on the actual movements of pay and prices.

The starting point for the 1982 public expenditure survey will be the cash plans contained in this White Paper.

MAIN POINTS OF THE WHITE PAPER

● The Government's revised expenditure plans for 1982-83 onwards are higher than the cash equivalent of those in the March 1981 White Paper. For 1982-83, as already announced, the planning total is £115bn, some £25m more than the earlier plans. For 1983-84 and 1984-85 the provisional planning totals are £129bn and £138bn respectively. These plans are in cash, not in the constant prices used in previous White Papers.

● The main increases in the plans for 1982-83 are for local authority current expenditure (£1.3bn), nationalised industries' total net external finance (£1.3bn), social security (£0.9bn), employment services (£0.8bn) and defence (£0.5bn).

can be converted directly to cash limits.

The latest figures show that spending in the present year is likely to be a little lower than was forecast recently as December. It appears that expenditure in

1981-82 will come out at a little more than £105,000m rather than the £107,000m expected. This is equivalent to about 45 per cent of total output. That is the highest proportion since 1975-76 and compares with 41 per cent in

the last full financial year before the Government took office. Among the changes announced yesterday was an increase in the Contingency Reserve. This is used as an instrument for controlling

Below are extracts from the Budget document "The Government's Expenditure Plans 1982-83," published by HMSO, price £4.15.

and Wales. In some cases the increases have been partly offset by savings of other services in the programme.

Nationalised industries Total net external finance for the nationalised industries has been substantially increased compared with previous plans, by £1.3bn in 1982-83, about half the increase for which the industries bid. As a result of the increase, the industries' planned investment in 1982-83 is over £7½bn, which is higher than the cash equivalent of the plans in the previous White Paper, even though they expect substantially lower internal resources than then forecast.

Reductions A general cut in the cash equivalent of the previous plans has been made, of almost all expenditure subject to cash limits, mostly of at least 2 per cent and in some cases substantially more. The main exception is defence.

As part of this cut, savings have been made in the Government staff and other administrative costs, including accommodation. The reduction in civil service staff numbers already planned will contribute towards these savings. Savings are also to be made through increased NHS efficiency.

The cut in cash-limited expenditure applies also to certain capital expenditure mostly in transport and other environmental services, but because tender prices have fallen, this should have no significant effect on the previous plans for 1982-83 for construction of motorways and trunk roads, water and sewerage works, etc.

Public expenditure and GDP The ratio of total public expenditure (including debt interest) to GDP in 1980-81 was 43 per cent. For 1981-82 the ratio is expected to be higher, reflecting the further real fall in GDP and the increase in public expenditure (especially in social security). In 1982-83 the ratio is expected to fall because of the expected real rise in GDP

and the curbing of public expenditure.

Cash limits For the first time, the White Paper plans for the year ahead (1982-83) can be translated directly into cash limits. The vast majority are on voted expenditure and published in the estimates.

Cash limits are the control figures for the coming year. They will not normally be revised during the year. Any increase in expenditure which is decided will be charged to the contingency reserve.

40 per cent of public expenditure is directly cash-limited. Another 40 per cent consists of "demand determined" services where, once policy and rates of payments have been determined, expenditure in the short-term depends on the number of qualified applicants: eg social security benefits. The remaining 20 per cent is local authority current expenditure: the rate support grant, the Government's main contribution to the financing of such expenditure, is subject to a cash limit, but not the expenditure itself.

Contingency reserve

The plans include a reserve for contingencies and other requirements which cannot be quantified at this stage. The reserve is a control figure for the year ahead: any fresh decisions to incur expenditure which cannot be accommodated within existing programmes will be contained within the reserve. For 1981-82 the reserve was £2,500m. It is now expected to be under £1,000m, a partial offset to the large overspend by local authorities.

For 1982-83 the reserve is set at £2,250m. For the later years the greater uncertainty requires a larger reserve to maintain the planning total. The contingency reserves of £4bn and £5bn respectively have been provided in 1983-84 and 1984-85. These figures will be reviewed in the 1982 survey, before the control total is set for 1983-84.

Staffing

The Government intends a continuing saving in public service manpower. The civil service has been reduced from 732,300 in April 1979 by nearly 8 per cent to 675,400 in January 1982, the smallest total for nearly 15 years. A

further reduction is planned, to 630,000 by the end of 1983-84, a total reduction of 14 per cent. The civil service will then be smaller than at any time since the end of the Second World War. Manpower in the armed forces is to be reduced by up to 19,500 by 1986 (6 per cent less than in 1982).

An increase in services to patients in the NHS implies some increase in manpower. Between 1979 and 1981, total manpower in the NHS is estimated to have increased by some 40,000 (full-time equivalents), about 5 per cent. A breakdown by manpower category is not yet available for 1981, but nearly 80 per cent of the increase between 1979 and 1980 was for manpower directly involved in patient care. In England the Government has set a target of a 10 per cent reduction over the next three years in NHS management costs as a proportion of NHS resources. Comparable measures are in hand in Scotland and Wales.

Local authorities' manpower in Great Britain has been reduced by over 70,000 (full-time equivalents), or 3 per cent, between May 1979 and September 1981. The net saving so far in local authorities' manpower is, proportionately, less than half the reduction in the civil service. Further savings are envisaged in the expenditure on local authority services. The figures for 1981-82 and 1982-83 exclude the external financing of the British National Oil Corporation and the British Transport Docks Board; this is on the assumption that shares in BTDB and in the upstream business of bco will be sold in 1982-83 and that control of these bodies will pass to the private sector.

Because of uncertainties about timing, no allowance has been made in the nationalised industry figures for the effects of other sales in the special disposals programme. Almost all the industries expect to have substantially lower internal resources than forecast previously, largely because demand and therefore revenue have been lower. The industries aggregate external financing needs are still expected to decline over the survey period, but from a higher base rate and more gradually. Even so the industries as a whole are expected to finance two thirds or more of their investment from internally generated funds.

These plans depend on the industries making major efforts to bring current costs above all wage costs, under control, in the way that private sector companies are having to do. Failure to do so would mean either higher prices or less investment.

In 1980-81 local authorities in Great Britain spent £1,050m (6 per cent) more than the Government's plans for current expenditure relevant for grant. In 1981-82 local authorities' budgets totalled £1,700m (9 per cent) above the Government's plans. As a result the Secretaries of State for the Environment and for Scotland have proposed to reduce Rate Support Grant for 1981-82 by £250m; the precise amount will depend on the eventual overspend. In Wales spending is estimated to be close to plans, and the Secretary of State for Wales will consider whether Rate Support Grant should be reduced there when actual expenditure by Welsh local authorities in 1981-82 is known.

Local authority current expenditure in 1982-83 in this White Paper is some £1.3bn higher than the cash figures based on previous plans. Overspending by local authorities in 1981-82 meant that they would not be able to get down to the levels previously planned for 1982-83. The new higher plans for 1981-82. Allowing for pay and price increases, local authorities will have to make significant real economies to keep within the new plans.

The Government attach the utmost priority to achieving these targets for local government current expenditure. The Rate Support Grant settlements for 1982-83 and this White Paper set out the Government's views on the levels of expenditure on local authority services which can and should be achieved. In taking the necessary steps to realise these plans it is for local authorities to make their own choices.

Pay Pay accounts for some 30 per cent of total public expenditure.

PLANNING TOTAL £m CASH

Public expenditure programmes

1. Central government (including government finance for nationalised industries)

2. Local authorities

3. Certain public corporations' capital expenditure

Adjustments

4. Nationalised industries' net overseas and market borrowing

5. Special sales of assets (net)

6. Contingency reserve

7. Planning total

8. Percentage change on previous year

Memorandum items

A. Debt interest - net

(not included above)

B. Nationalised industries' total net borrowing

(included in lines 1 and 4)

(*) Including other public corporations accorded similar treatment (see Part 5).

(*) Amount shown is expected to be fully spent by the end of the year.

(*) See paragraph 57.

TOTAL PUBLIC EXPENDITURE BY PROGRAMME £m CASH

	1976-77 outturn	1977-78 outturn	1978-79 outturn	1979-80 outturn	1980-81 outturn	1981-82 estimated	1982-83 plans	1983-84 plans	1984-85 plans
Defence	6,183	6,820	7,495	9,226	11,178	12,634	14,103	15,300	16,440
Overseas aid and other overseas services	503	602	723	802	919	989	973	1,040	1,110
Overseas aid	220	255	311	351	408	455	500	580	600
Net payments to EC institutions	283	347	412	451	511	534	473	460	510
Other overseas services	316	427	378	454	508	613	666	700	740
Agriculture, fisheries, food and forestry	995	884	830	1,038	1,384	1,557	1,534	1,490	1,500
Industry, energy, trade and employment	3,093	2,248	3,048	2,892	4,190	5,602	5,845	4,860	5,030
Transport	2,349	2,273	2,452	2,972	3,487	3,922	4,160	4,340	4,490
Housing	3,805	3,569	3,716	4,699	4,675	3,320	3,480	2,760	2,860
Other environmental services	2,051	2,157	2,448	2,873	3,377	3,471	3,747	3,870	4,030
Law, order and protective services	1,678	1,798	2,041	2,586	3,180	3,747	4,108	4,450	4,700
Education and science, arts and libraries	6,982	7,338	8,094	9,350	11,376	12,362	12,754	13,110	13,410
Health and personal social services	5,937	6,540	7,425	8,899	11,366	12,764	13,633	14,480	15,250
Social security	11,603	13,905	16,425	19,400	23,440	28,618	32,030	33,500	35,400
Other public services	735	761	821	969	1,213	1,333	1,370	1,520	1,610
Common services	708	770	857	1,013	1,193	1,599	1,633	1,800	1,930
Scotland	3,060	3,234	3,679	4,423	5,292	5,722	6,062	6,270	6,490
Wales	1,248	1,311	1,488	1,769	2,124	2,288	2,423	2,500	2,610
Northern Ireland	1,627	1,814	2,134	2,449	2,902	3,276	3,546	3,780	3,990
Government lending to nationalised industries	284	-218	693	1,857	2,276	1,816	1,114	1,260	1,140
Adjustments									
Nationalised industries' net overseas and market borrowing	1,269	923	458	-321	-448	202	-180	50	-370
Special sales of assets		-548		-999	-356	-50	-600	-600	-600
Contingency reserve						300	2,250	4,000	6,000
Planning total	54,649	57,162	65,934	77,201	93,475	106,130	115,150	121,070	128,370

(*) Including other public corporations accorded similar treatment (see Part 5).

TWA to and through the USA

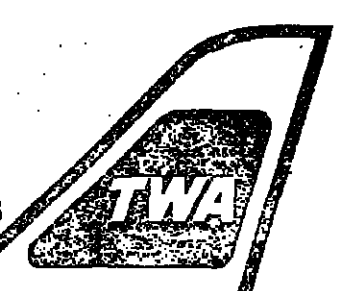
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Rab Butler: the man who saw his prize snatched away

by Enoch Powell

Rab Butler was a large man. He was large in frame; those who knew him only from photographs or television were surprised, on meeting him, to encounter so lofty a figure. He was large in achievement: for years he moved from one commanding position to another in British government. He was large in mind and spirit, contemplating men and politics with a broad and comprehensive outlook.

Among the swarm of those who, in their own or others' estimation, might or should have been prime ministers, he was the genuine article. The key to his public character is to be found in the dignity and self-control with which he thrice saw the prize snatched away.

I have a right to say so; for I was one of two men who, regardless of consequences, would not submit to serve in a government which we were convinced personal and public destiny had marked out R. A. Butler to lead.

Born in 1902 and saddled from boyhood with the disabling results of an injury, he missed, and I believe he was always conscious of having missed — the privilege of wearing uniform in either war. That was mere chance; but to some of us it was a chance that seemed to match an aspect of his character. He was not the kind of man for whom any cause — not even his own — was worth fighting to the death, worth risking everything.

When in 1963 a different man would have fought, and won, Rab chose not to. But the premiership, unlike the priesthood of the grove at Nemi, is not the preserve of those who have slain their predecessor or their rivals. Nobody who observed Rab Butler in administration or in Cabinet could doubt his capacity for government. Nobody who heard Rab Butler interpret the Conservative Party to itself and to the country could doubt that he understood and represented the meaning and purpose of Conservatism in a way that none of his contemporaries did. To call him a "great public servant" is not cliché: it is an accurate identification of his attitude of mind and of the stronger and of the weaker sides of his personality.

When I look for other examples of the category "great public servant" to which Rab belonged, I do not find them. Ambition and pride are universal human qualities, and Rab possessed them too; but his tenure of nearly all the major offices of state put him in the rank not of the successful political careerists but of those figures, commoner in the nineteenth century, who found work to do all their lives in seeing that the King's government was carried on.

Every office and every phase of politics was a challenge to qualities of mind and temper as well as a demand upon industry and endurance. Rab was telling us this about himself when he chose to entitle his autobiography "The Art of the Possible". In every exigency of government there lies hidden "the possible", the analysis and the plan of action which will enable society and the nation to cope not unsuccessfully with each succeeding predicament.



Rab Butler as seen by Vicky

'Rab's departure from politics 17 years ago left a void that has not been filled... What a different and better House of Commons, what a different Conservative Party it would have been if his intellect... had been available longer in that place'

It is a business of intellect as well as of instinct, and in the sense that he revelled in applying to affairs of state his exceptional powers of mind, R. A. Butler was rightly classed as an intellectual. But his intellect was essentially practical in its bent; his was not a speculative mind, like Salisbury's or even Gladstone's. This is why I think his later years as Master of Trinity were not his happiest. Characteristically, and herein too a "public servant", he had decided to "call it a day" when after 1964 long years in opposition loomed ahead. He would take his conge and not stay around to fight on against years and rising odds. I remember, as the only non-member of his family privileged to be with him in the Lodge on the day of his installation at Trinity, being struck by the impression of loneliness and unease: the academic world too was a world of the intellect, but it was not the world of his intellect of "the possible".

Rab's departure from politics 17 years ago left a void that has not been filled. He was only 62. What a different and better House of Commons, what a different Conservative Party it would have been if his intellect... had been available longer in that place'

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Of course! Villa holidays on Rhodes! One-time pearl of the Aegean. Centre of Greek Classicism! Site of the Colossus. So, off we jolly well went! As dawn breaks at glittering Gatwick we lug our own baggage as the merry porters are still in bed. Into the beautiful British Airways desk — ah! The merry flight is delayed. Can we go to the cosy Captain's lounge? No. Why? There isn't one. Four hours later our flight is ready! Up and away — but over a fun-filled bank. Our cheerful Captain tells us the undercarriage is jammed. We must return to gleeful Gatwick! Briefly, at 2.00 am the following morning we put down in romantic Rhodes.

We go to our Avis "no-fuss-get-in-drive-away" girl who is closed. After a magnificent moonlit row we get a dying Greek taxi. At 3.30 am we reach lovely Lindos. We are met by a smiling dragon — a mixture of the Mafia, and the man from the Pru. We carry our luggage through the "too-narrow-for-taxi-streets" to our "villa". Two "rooms", ample space for four midgets. By the time

we hang up our clothes it's no surprise. Many African companies doing business in Africa have for long been expressing their anxiety that the Administration might still wish to destabilize the Angolan regime. But businessmen as much as anyone are sceptical until it happens. The cause of the scepticism

Part 4 of our series Four Cities, Four Crises, a study of Swansea, has been held over until next Wednesday because of Budget coverage.

Practice does not make perfect for Sir Geoffrey Howe as a Budget producer, but it does make him better. Yesterday's Budget, unlike that of last year, contains nothing which will do actual harm to the prospects for economic recovery and quite a few things which will help. The key question for him and for the economy is whether the rest of the world will oblige with the private-sector-led growth on which he is clearly depending.

The Budget, in tax terms, is cautious but not actively restrictive. Public borrowing is expected to be increased by about £1,300m as a result of the Chancellor's measures, almost exactly what had been expected. The relief has been concentrated on industry through cutting the National Insurance surcharge (NIS) which has long been top of everyone's list of measures to boost the number of jobs in the economy.

Ordinary taxpayers will get some help, because their allowances are being raised by two per cent more than the inflation rate, which will help living standards over the years ahead.

That is hardly enough to constitute a pre-election boom, but it ought to keep up the level of private consumption over the next year. This has become increasingly important for a whole range of consumer goods industries, whose attention to the case for cutting the tax that industry pays through the NIS has been weakened by the realization that many of their potential customers have begun to cut back their purchases because living standards have been falling.

The reflection is smaller than most outside economists would have liked. Against a background of

Hello! It's glossy holiday brochure time in old England! Oh, those gorgeous glossy holiday brochures. "Come to Naughty Nougat! Aggie Aggie! Marvellous Marbella! Bella Blackpool! as irresistible as Elizabeth Taylor on black silk sheets. But seriously folks! Sometimes the places look better on the brochure than in reality. I come to you as your merry, friendly "I'm warning you" travel guide. Let us flip the pages.

Of course! Villa holidays on Rhodes! One-time pearl of the Aegean. Centre of Greek Classicism! Site of the Colossus.

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The best yet from Sir Geoffrey

By David Blake, Economics Editor

three million unemployed, it looks too small to have much impact. But that fits in well with the Government's theoretical view, which is that in any case inflation through cutting taxes or boosting spending cannot create extra output and jobs.

This Budget will be looked at from both Keynesian and monetarist points of view. The Government does not believe in the Keynesian arithmetic which will underlie the claim of many that the Budget still leaves them taking a very tough stance indeed. Over the past two years, the Government has cut its borrowing even though the recession has got worse. It has gone on with the process this year. But what is the picture like if it is looked at in the monetarist way the Government likes to do, through the Medium Term Financial Strategy (MTFS) and the money supply?

Here the picture switches from being a very cautious nudge on the accelerator to an abrupt U-turn. All of the basic principles of the strategy as originally set out have been torn up. When MTFS was constructed in 1980, it had at its heart the belief that the authorities could control the money supply and could use one simple measure (Sterling M3) to tell them how well they were doing. The original statement said that in 1982-3, this would be allowed to grow by only 5 to 9 per cent.

That policy said that the Government might have to change virtually everything in its handling of the economy except that

"there would be no question of departing from the money supply policy, which is essential to the success of any anti-inflationary strategy."

Yet that is exactly what it has done. The excuse is that the system of banking is changing and that the new figures do not involve any loosening of policy. That is nonsense, and the Government presumably knows that it is. When the original strategy was drawn up, the clear goal was that inflation should come down to low single figures by 1983. That is not in prospect, with money supply growing by between 8 and 12 per cent in the coming financial year and 7 to 11 per cent in the year beginning April 1983.

Much of the revision is simply a new realism from the Government. It now knows that inflation is not going to fall as fast as it wanted and it has wisely shifted its public stance now instead of waiting for an election year. But there is more to it than that. There is no longer any pretence that one target for the money supply will tell you everything you need to know about the economy. Instead, there is to be a whole series of money supply targets.

The one certain thing about all these various measures of money is that they will be moving in different directions at different times.

So when the Government says that it is setting an 8 to 12 per cent target range for all the different measures of money, it is actually saying that it will feel

free to make things up as it goes along. In controlling the money supply, things are very like the circumstances which allowed Lloyd George to escape an angry mob. As one of his opponents ruefully commented on the failure to string him up: "Everybody's business is nobody's business." Many money supply targets are no money supply targets.

The Government has, indeed, disengaged itself from its policy even more than that implies, for the figures for future years are specifically said to be open to change. Come is the clear certainty that people need to be given detailed plans for the future to be sure that inflation will come down.

What the Government hopes is that people will believe that inflation is coming down because they see that it is. That is a more sensible way to proceed. It is a pity it took so long to get there.

Why is all this necessary? Because if there is going to be any recovery, the amount of money in the economy will have to go up. Companies will need to borrow as they build up their stocks and build up their work forces. That means the extra bank borrowing pushes up the money supply, as it has been doing at a rate of well over £1,000m a month in recent months.

Having been deeply worried about this growth in private sector bank borrowing, the Government has now decided to try to enjoy it. Although the level of public borrowing has been kept down, this has also meant, as critics of the Government always warned that it would, that the targets have had to be eased. The question is how this will turn into higher growth for the economy.



Glad you're not here — love, Spike

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again is the belief that the Administration measures every local situation in Africa by the simple rule that all troubles are caused by Russian interference. This is what Mr Reagan's erratically scintillating rhetoric has done. Informed and public opinion are both saying: "But the world is no longer as simple as that — Russia is not the root of all disturbance — and that is why we do not believe you."

tricycles with no exhaust

Refreshed by three and a half hours sleep, we race energetically to the beach — wonder-world of tag ends, fag packets, plastic cups, tomato skins, coke tins, lemon peel etc. The night life — wow! Six restaurants and two discos — all playing different tunes — shattering the peace of the night. Still, I have my happy holiday earplugs! That was 1979. Comes 1980. Which glossy brochure this time? Ah! Terrific Tunis! Bulging belly dancers, the land of lotus eaters — ancient Carthage — cuss-cuss — camels, dates. We can't get these things in Finchley can we dear?

So off we jolly well go. Heathful Heathrow 0600. A magical Pakistani outpost — see there... a family camped out by the news stands. "Flight BA 31 for Tunis is boarding now". Two hours and we are on the tarmac of El Aouina Airport in pelted sun-warmed rain. A welcoming Arab Customs official confiscates my cassette recorder, we have a rollicking fun-filled row. The carefully "phoned-in-advance-paid-telex-confirm-mation-self-drive-Mercedes" is not here. Oh! they've arranged for fun and games! Hunt the Mercedes. First this

kiosk — then that! Are we getting warm? Yes, 120° — but no merry Mercedes. So, we have a "let's-charge-those-bastards-double" taxi driver. Through the lovely litter strewn verges we go. Arriving at Skanet Palace on the sea, our bungalow has traditional non-working air conditioning.

We sleep with windows and doors closed sucking, in the hot night air heavy with the erotic musk of anti-mosquito spray. My diary: Monday to Ras Dimas. Here, once stood a mighty Roman seagirt town. Now stand three Arab youths with spear guns who stalk us, we just escape with our lives. We laugh gleefully at the pursuing Bedouins who shower us with pieces of ancient Thapsus... What fun explaining to the grinning local police: I'd never heard that sort of abuse in Arabic, before. I could go on — I will — there were Cheerful Corfu Villas with half the light bulbs missing — electrified taps — burst plumbing — lovely dirstrewn beaches. Discos shattering the night — filled with tattooed drunks from Birmingham — Wae-upping, being sick.

We said travel wasn't romantic anymore? I did.

Spike Milligan

The anti-nukes take off in small-town America

Henry Fairlie

Washington

The town meeting in New England is one of the region's most historic institutions. The town elects its aldermen and selectmen as it has done for perhaps 350 years. It decides whether to buy another snowplough. It may vote to auction its old ramp house. The meeting is quite likely to recess at midday for a hot dinner and homemade fudge.

The issues seldom interest anyone outside the immediate area. Yet when two-thirds of Vermont's 252 cities and towns held meetings last week, all three television networks sent reporters and camera crews to cover them. For this time the parochial gave way to the international: no fewer than 155 of the 185 town meetings voted in favour of a resolution which called for a mutual freeze between America and Russia on the production, testing and use of nuclear weapons.

In West Windsor the resolution was passed unanimously. The vote in Northfield, one of the 22 towns where it was rejected, was 86 to 85. A generation ago the town meetings showed a similar interest in and near unanimity on an international question. The Massachusetts meetings in 1945 voted overwhelmingly to support American membership of the United Nations. The rest of the nation agreed with them. Does it now?

Visiting four separate states in the past two weeks, some of them 2,000 miles apart, I found undercurrents of a growing anti-nuclear movement. When I returned to Washington, one of the most experienced observers in town said to me, before I had had time to relate my own experiences, "The com-

ing story is the anti-nukes". It is not that they represent a majority, but that they reflect something else of importance.

Something for which one has waited in America for almost 15 years seems at last to be happening. Ever since the American armies in Vietnam recoiled from the Tet offensive in 1968 — which in effect was the moment of defeat — one has expected a great national debate on the broad aims of American foreign policy.

The possibility that the present Administration might intervene with armed forces in El Salvador or elsewhere in Central America has revived all the old parallels with Vietnam.

It is of immense significance, not only that Mr Alexander Haig, the Sec-

retary of State, met the Mexican Foreign Minister in New York last Saturday, but that another early meeting is scheduled. This is the first evidence that the Administration, lacking any support for its own policy, is at all interested in the Mexican peace plan. The scepticism of the majority of the public, Congress and the press over El Salvador has forced the Administration to retreat.

Mr Haig has suffered many humiliations since before Congress, but none more so than when he testified again last week. For what may well be the last time, he again attributed the troubles in El Salvador to the extent of Russian and Cuban pene-

tration, using Nicaragua as their corridor, and let me tell you, that is a wall of disbelief which might have made even a general who had earned his rank on the battlefield quail.

Mr Reagan took a drubbing last week from almost every business organization on his budget. Even the executive committee of the powerful Roundtable, which represents 200 of the largest corporations, delivered its disapproval to the White House by hand. But that was not the unkindest cut. There used to be an advertisement, "You have a friend at Chase Manhattan." I never found that I did; but does the Administration any more? Speaking for Chase Man-

hattan, David Rockefeller said in Africa: "We have found that we can deal with just about any government, provided that they are orderly and responsible". That was bad enough. But he then went on to say that he did not consider African Marxism to be a threat to the interests either of the United States or American business. He could not have made himself more clear. Angola has a friend at Chase Manhattan.

This ought to have come as no surprise. Many African companies doing business in Africa have for long been expressing their anxiety that the Administration might still wish to destabilize the Angolan regime. But businessmen as much as anyone are sceptical until it happens. The cause of the scepticism

again is the belief that the Administration measures every local situation in Africa by the simple rule that all troubles are caused by Russian interference. This is what Mr Reagan's erratically scintillating rhetoric has done. Informed and public opinion are both saying: "But the world is no longer as simple as that — Russia is not the root of all disturbance — and that is why we do not believe you."

That is why the national debate on foreign policy is now beginning. Wherever I went in the past two weeks, people seemed to be interested only in their jobs. But I did not have to scratch far below the surface to find a further but connected anxiety over foreign policy and defence. It is connected to the economic fears of

everyone because it is the size of the military expenditure that is most criticized.

Why is the military spending so large? The answer comes back more distinctly than one expected. The Administration is spending too much on arms because it has no foreign policy but to be anti-Russian and so rearm.

President Reagan has not yet in 15 months given a major speech on foreign policy, one that defines American objectives and the resources it will commit to meet them. Neither has his Secretary of State, nor has his Secretary of Defence. The national debate is beginning not because he has encouraged and is leading it — but in the absence of such leadership. Americans are worried about their jobs. They are also worried about their lives.

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No confrontation on the Alderson patch

Barry Pain, the hardline Chief Constable of Kent, has ducked a confrontation with John Alderson, the liberal Chief Constable of Devon and Cornwall, on the contentious issue of community policing.

The intriguing encounter, at Exeter University next Saturday, would have been impeccably timed. Alderson returns next month, and the conference takes place the day after the name of his successor is announced from a short list of six.

Pain was invited as president of the Association of Chief Police Officers, many of whose members think Alderson a softy. Last year Pain claimed he had practised community policing for years, but did not spend all his time shouting about it from rooftops.

Pain declined the invitation, pleading prior engagement, despite the fact that only last week Alderson carried his evangelising campaign on to Pain's own patch, with a lecture at the University of Kent. Now Devon and Cornwall's new Chief Constable-designate will bear his predecessor's unchallenged expounding the policy which is expected to lead him to a political career as a parliamentary candidate for the Liberal-SDP alliance.

THE TIMES DIARY

There has been some smouldering acrimonious correspondence between Monsignor Ralph Brown, general co-ordinator of Pope John Paul II's visit to Britain, and his business consultants. Mark McCormack's International Management Group, wanted to exploit the Pope's arms for commercial purposes. They deny ever having intended to use them themselves and say that all inquiries from others interested in doing so are now being redirected to the Lion Archive. "We are not looking for trouble," says Brown meekly.

A chastened Brown admits that "at the outset" he did not realize that the papal armorial bearings were copyright. They were designed by Archbishop Bruno Heim, the Pro-Nuncio to the Court of St. James, who is also the

foreign editor. "I think we've got a correspondent in Prague," he said. "Oh no! I think he died, but if you should happen to meet him just say you're a correspondent and not the correspondent of The Observer."

Asked what aspects of Czechoslovakia particularly interested his

Vatican's authority on heraldry. His Excellency's heraldic designs suggested to one reviewer that if God had not called Heim to His service, Walt Disney would have done.

Bander van Duren, of the Lion Archive which administers Heim's copyright, alleges that Brown and his business consultants, Mark McCormack's International Management Group, wanted to exploit the Pope's arms for commercial purposes. They deny ever having intended to use them themselves and say that all inquiries from others interested in doing so are now being redirected to the Lion Archive. "We are not looking for trouble," says Brown meekly.

readers, he replied: "Oh, cows with five legs and that sort of thing."

A seminar planned for London in May and entitled Strategies for Improving Energy Performance in Office Buildings is no longer, at least, about stopping staff nodding off. It is about heating and lighting offices more efficiently, i.e. turning the heat down when you feel drowsy, and switching the light off before you go to sleep.

On deposit

Spain's archaeologists are agonised about the discovery of a bronze statue of a magistrate from Roman times on a farm outside

Granada, and a battle has already begun over its custody.

Workmen preparing to lay electricity cables on farm land near Pinar hit the statue — of a man in a toga more than five feet tall — which has been identified as dating from the second or third century AD.

The find, though clearly not as important as Italy's "Warriors of Rice", is considered significant because few bronze statues survive in Spain from the epoch, having usually been melted down in later ages.

Already baptised "the man in a toga of Pinar", from the name of the farm where it was found, the statue is in good condition except for a missing right forearm.

The battle is over the need to ensure that it is properly preserved. Archaeologists are agitated that the landowner has entrusted the statue to a local savings bank with an assurance that he will take it to the British Museum. The National Archaeological Museum in Madrid is anxious to acquire it, as is the local provincial archaeological museum.

Cutting

PHS asked Egon Ronay to review the Barbican Centre's carvery, the Cut Above. He writes:

Like mutton dressed up as lamb, this is a mediocre cafeteria under a thin cloak of a dolled-up restaurant. Furnished in garish, cyclamen (against red walls!), lit

with blinding harshness, yet with "intimate" candles on the tables, it mixes self-service carving with waiter-service for the first and last courses: dinner-jacketed reception with an absence of cloakrooms! ("No, we cannot take your coats, but you can put them on the chairs next to you".)

Excellent quality meat totally unseasoned and surrounded by gloopy gravy, long-boiled cabbage, shrivelled tinned peas, roasty roast potatoes and cardboard-hard Yorkshire pudding. The chef's all-pervading fetish must be gelatine, solidly surrounding the liver-sausage-like pâté and stoutly supporting sickly apple tart and medicinal cheese cake alike. The unappetising cold table is sorry evidence of overcooking and a predilection for grey-coloured meat.

A rare opportunity unforgivably missed, for which the friendly, helpful staff, good coffee and prices are no consolation. (Dinner £8.25 plus 10 per cent service; drinkable wines around £5-£8).

Late Bath

Banham Gascoigne, the chairman of University Challenge, also publishes costly books about the historical prints of famous towns. Subscribers who order the book before it goes to press have their names printed at the front.

To date Twickenham has produced the highest number of subscribers, followed by Chelsea and Brighton. The list for Bath has just closed and Gascoigne admits "Bath's true." What he would tell the town if it were a team of students embarrassing



their university on the box would be: "Do not despair, there is still plenty of time to catch up."

For the citizens of Bath — the only town in England internationally famed for its architecture — the only hope is to order the book at pre-publication price (£95 in cloth, £235 in numbered morocco) before May 19.

The mountain bard

Islywn, as far as PHS knows the only British poet to have a local authority named after him, is to be further commemorated on the 150th anniversary of his birth. George Thomas, Speaker of the House of Commons, will post the

first of the specially designed memorial envelopes issued by Islywn council and read the lesson at an anniversary service at St Theodore's church, Ynysydu, on April 3. Islywn, centred on Blackwood Gwent, and dominated by Myrddin Islywn mountain from which the poet, the Rev William Thomas took his bardic name.

Islywn, though not a native Welsh speaker, wrote most of his poetry in Welsh and, won four chairs at Eisteddfodau in the 1870s. His greatest work, Yr Ystern ran to more than 9,000 lines, inspired by the death of his niece in 1853. There are plans to turn his burial place, a small Chapel, Cwmtefnach, into an exhibition centre.

The official press agency in the United Arab Emirates announces that the President, Shaikh Zaid bin Sultan al-Nahayn, has sent a cable of congratulations to President Yulia Limann of Ghana on his country's national day. It will not reach him. Limann was deposed in a coup on New Year's Eve.

Waxing lyrical

Romantica, a new restaurant, is lauded at a length in the Bath Weekly Advertiser, which reports: "Oscar (the waiter) hums arias as he serves the food. There are fat white candles for evening dinners, and everything is served piping hot, with a nice Italian flourish". It sounds very nice, though the meal could be a little greasy.

PHS

Lead in petrol
from Mr. K. D. ...
I write with
your editorial.



P.O. Box 7, 200 Gray's Inn Road, London WC1X 8EZ Telephone: 01-837 1234

CAUTIOUS CONVALESCENCE

The Chancellor in his budget yesterday ran once again true to form and as he soldiered on through his fourth budget the consistent character and flavour of his Treasury stewardship became more clearly reinforced. Sir Geoffrey has never exactly radiated personal charisma. As a politician he does not generate anything approaching euphoria among his Conservative backbenchers. Comparisons inevitably arise with Lord Butler who died yesterday and who shares with Sir Geoffrey the Tory post-war record of introducing four budgets. The present Chancellor lacks the economic and social vision and the political subtlety of his distinguished predecessor. Whereas Butler was a maestro in many fields, ever sensitive to his audience and to the eddies of political mood and public opinion, Sir Geoffrey remains a solid barrister with his brief, apparently impervious to criticism or advice.

Yet his budget yesterday aroused more than a glimmer of hope that he will, in given time, take a worthy place in Tory history. It remained, true to character, cautious and unimaginative. But he now gives the impression of being successfully on the course which he has chosen and courageously pursued to reduce public borrowing and create an efficient basis from which to expand economic activity without unleashing renewed inflationary pressures.

Our broad reaction to the budget is mild disappointment at the low level of expansion injected into the economy — a £1.3 billion net addition to the PSBR is at the bottom end of the range of sensible expectations — but strong approval of the wide range of measures proposed. It is right to concentrate the benefits on in-

dustry, which has carried the burden of the recession and on which our hopes of national recovery depend. The cut in National Insurance Surcharge, together with the current fall in oil and raw material prices and the prospective decline in interest rates, offer our manufacturers a reduction in costs as the basis for non-inflationary expansion. The incentives to small business and to employee participation, like the encouragement to the beleaguered construction industry, are small in scale but certainly in the right direction. There are still no great hopes for Britain's three million unemployed to find jobs. But we are nearer to testing the basic thesis of the Chancellor and the Prime Minister that unemployment will come down permanently only in a low inflation economy.

On the monetary front the Chancellor had a mixed but not displeasing story to tell. Following the previous year's disastrous overshoot on the Public Sector Borrowing Requirement (PSBR), he appears this year to be spot on target. For the future he promises further falls which point to lower interest rates. He has, however, sensibly allowed a little loosening in the previous target for this coming year. He has made much more significant adjustments to the money supply targets, where experience continues to suggest that Sterling M3 is an unsuitable signpost. By slipping back to an 8-12 per cent range and by stressing the importance of nearly every other indicator in the book, Sir Geoffrey may be sliding discreetly and prudently from doctrinaire to pragmatic monetarism — a position for some time occupied by his Prime Minister. This relaxation leaves room for an increase in economic

activity, and especially of investment, in the coming year without forcing interest rates up and hence stifling any economic revival at birth.

For many in the Conservative Party this budget will probably be judged ultimately as much for the long list of worthy, if minor, reforms it contains. Despite passing flirtations with Scottish interests, most noticeably and reprehensibly in its discrimination in favour of alcoholic spirits, the budget quite properly does little of significance to bribe the electorate of Hillhead. Nor does it really meet the more ambitious hopes for expansion of Tory "wets" — though its concern for the disabled and the beneficence to pensioners and those on unemployment benefits, together with the already visible discipline of a looming general election, will surely bind the vast majority of them behind the Chancellor.

As for the general election, this is clearly not, and not intended to be, an election-winning budget. It shrewdly helps a large number of people in little ways, but overall it leaves the economy still well short of rejuvenation. As such it squeezes Mrs Thatcher's election timing: it is hard to see how sufficient recovery can have taken place to make the autumn of 1983 an obviously attractive time to go to the country. But it does put the Government in a position from which it could, aided by more expansionary budgets this autumn and next year, be in with a chance in 1984. Whether or not Sir Geoffrey is the man to take the Government successfully through that final phase is for Mrs Thatcher to judge; but he has this week earned her healthy respect.

PRESIDENT AND PARLIAMENT

The premature disclosure of the intention to invite President Reagan to address members of both Houses of Parliament in Westminster Hall is most unfortunate, and it is to be hoped that the Labour Shadow Cabinet will have the good sense at its meeting today not to make an embarrassing situation even worse. It is obviously wrong for the Leader of the Opposition to hear for the first time of such an invitation on the radio. But it is equally clear that informal soundings have to be taken in preparing for the visit of a distinguished foreign leader, and it was the fault of the American administration not of the British Government that these were made public before the appropriate consultations could be completed at this end.

It would be absurd for this blunder, regrettable though it is, to affect the nature of the reception given to the President. Mr Reagan is being invited to address the members of both Houses, not to speak to Parliament itself. The occasion will not therefore be part of the proceedings of Parliament. There will be no need for a formal vote to be taken in either House in order to invite the President; though a sense of what is seemingly for the head of state of a friendly country and Britain's principal ally does require that he should be welcomed by the Opposition as well as by the Government.

Such a welcome does not have to imply approval of his policies. There have been a number of occasions in the postwar years when foreign leaders have addressed the members of both Houses of Parliament. The most memorable occasion was when President de Gaulle did so in Westminster Hall in the spring of 1960. But a good many others have done so in the Royal Gallery, including Presidents Auried and Ciscard d'Estaing of France, President Saragat of Italy, Chancellor Brandt of West Germany and U Thant, as secretary-general of the United Nations. Those 300 ministers, MPs and peers who accorded the courtesy of a warm reception to Mr Kossygin in 1967, as he entered the Royal Gallery at the head of a small

procession flanked by the Lord Chancellor and the Speaker, were not proclaiming their approval of Soviet foreign policy or their conversion to international Communism.

These occasions have varied in dignity and solemnity, and it seems that Mr Reagan's address is intended to be at the more majestic end of the spectrum. That would be fitting for the President of the United States at a time when the Atlantic alliance is under more strain than at any time since the formation of Nato. The threat comes not so much from external threat as from internal dissension, and a principal cause of that dissension has been the failure of communication within the alliance. The effective leader of the alliance is the President of the United States. If he fails to communicate adequately there will be no confidence. He ought to be given every opportunity to do so. Then let there be the full discussion and argument over what he says that is the characteristic of free political systems everywhere.

poison" of February 25, in which you state that the European Parliament will debate a motion on lead-free petrol during March.

Presumably you refer to the motion for resolution tabled by Mr Johnson. However, before this can properly be debated it has to be discussed in committee and a report has to be prepared. Given the problems of translation and printing it is unlikely that such a report will appear in committee until May at the very earliest, and the pressure on the plenary timetable is likely to mean that a full parliamentary debate cannot be held until well into the summer.

However, the present state of informed opinion on the matter is such that I personally do not see this as a disadvantage because I believe that if we are to convince our colleagues of the arguments in favour of lead-free petrol, then time is certainly needed to allow the scientific evidence to be properly evaluated and a proper and reliable basis for a decision established.

However, just as it was action by the Commission in the past which helped to push the British Government to adopt lower limits more quickly, so it is likely that this action at European level will have a useful effect on United Kingdom practice.

Yours faithfully,
KEN COLLINS,
Chairman,
European Parliamentary Committee on the Environment, Public Health and Consumer Protection,
11 Sturton Park,
East Kilbride,
March 2.

Child offenders

From Mr Martin Wright
Sir, The clause in the Criminal Justice Bill giving courts power to remove from home children who re-offend is based on misconceptions. Those who work with young people, as opposed to

Yours sincerely,
MARTIN WRIGHT,
107 Palace Road, SW2,
March 4.

Enduring architecture

From Mr J. A. Wells-Thorpe
Sir, That two historians have spoken out against the Mies van der Rohe design for the redevelopment next to the Mansion House (The Times, February 25) is not altogether surprising, but what is surprising is the superficiality of the reasons advanced.

John Harris is said to have condemned the proposal as "architecturally old hat" as if transient modernism was the main criterion, and equally as if "post modernism" had had time to settle down into something resembling a satisfactory architectural style.

In the meantime, Marcus Binney is reported as saying "the design will be 30 years old by the time it is actually built". As a distinguished historian he would know better than most that if the time spent between design and execution were to be the guide of acceptability, our rich architectural heritage would be "decimated" before recognition. Liverpool Anglican Cathedral was designed at the turn of the century and is still unfinished, but who would deny its proven architectural significance today?

As for how a Mies van der Rohe building appears a quarter of a century later, Manhattan's Seagram Building, mentioned by your correspondent, speaks for itself and is as enthralling to see now as it was the day it was opened.

Yours faithfully,
JOHN WELLS-THORPE,
Commonwealth Association of Architects,
The Building Centre,
26 Store Street, WC1,
February 25.

Lead in petrol

From Mr K. D. Collins, MEP for Strathclyde East (Labour)
Sir, I write with reference to your editorial, "Nor lead, nor

Yours faithfully,
JOHN WELLS-THORPE,
Commonwealth Association of Architects,
The Building Centre,
26 Store Street, WC1,
February 25.

Implications of Laker collapse

From the Chairman of British Caledonian Airways

Sir, It is ironic that in the aftermath of the collapse of Laker Airways not only is one of the most serious consequences not appreciated by the public, but the Civil Aviation Authority, and the relevant government department, the Department of Trade, steadfastly refuse to accept that it exists.

The UK/USA treaty of air service provides for two British and two United States airlines to operate non-stop services on the important London/Los Angeles route. In addition a number of other United States airlines operate from Los Angeles to London via other points in the United States.

The demise of Laker means an immediate loss of about a half of the British share of the market, a loss which, despite any strenuous efforts the remaining British airline, British Airways, may make is bound to mean the two United States airlines together taking a much larger share of the market. Once that situation has been established it will be exceedingly difficult to redress the balance. Unless urgent action is taken to enable another British airline to serve the route, the second British airline, which is not yet in the air, will be unable to start, but the depredations of the British market share and balance of payments achievement may be interest in seeing the disappearance of a large number of jobs. Not only that, but the approval of the CAA through the normal licensing channels, but we asked, in view of the urgency, to be allowed to operate for a temporary period of six months whilst licensing processes take their course. However, the CAA has flatly refused.

Furthermore, our understanding is that the Government is disinclined to take any initiative. Clearly there are limits to what an individual airline, based on the provisions of an Act of Parliament and a statutory body's interpretation of that Act, can do on its own.

Accordingly it is as much in sorrow as in anger that I seek the hospitality of your columns to draw attention to the consequences of this inertia, which can only further damage our national economy which is already under considerable stress.

Yours faithfully,
ADAM THOMSON, Chairman,
British Caledonian Airways,
Gatwick.

High interest rates

From Professor H. W. Singer

Sir, You report Professor Sir Douglas Hague (Business News, March 4) as stating that the developed countries "cannot operate for long at tolerable rates of unemployment, and that high interest rates (after allowing for inflation) much above zero."

Professor Hague fails however to mention the important international dimension of this particular problem. This is the burden which the high interest rates impose on the poorer developing countries which, in view of their tremendous debt, are unable to service their foreign export earnings and prevent them from importing from us, thus relieving our own unemployment.

The oil-importing developing countries owe some \$200bn to the commercial banks alone — thus any 1 per cent increase in interest rates drains \$2bn of their resources which could have been used to create jobs in the industrial countries. This international effect is additional to the impact that our own domestic unemployment has on the export earnings of developing countries; it has already resulted in rapidly falling prices for the primary commodities as well as reduced export volumes.

In an interdependent world, these international repercussions greatly intensify the damage which high interest rates do to the employment situation and this could greatly add to the worries expressed by Professor Hague.

Yours faithfully,
H. W. SINGER,
The Institute of Development Studies,
University of Sussex,
Brighton,
March 5.

Not cricket

From the Reverend D. J. Pitcher

Sir, Having been in India for much of the time of England's cricket tour there, and being able to learn a little about Indian society, I read this morning's correspondence to you comparing India and South Africa with interest.

Indian law requires that equal opportunities for education and for employment be open to members of all parts of Indian society. The fact that there is an enormous gap between the opportunities available throughout the country does not alter the fact that the law of the land requires and encourages progress towards such equality.

I believe this is in strong contrast to the laws which govern South Africa.
Yours faithfully,
D. J. PITCHER,
The Rectory,
Framlingham,
Suffolk,
March 4.

Taking a pride in National Service

From Lieutenant-Colonel A. R. Wythe

Sir, For Dr Neville-Smith, in his letter of March 6, to state that National Service turned men into column-dodging petty criminals is grotesque, and there is a bitterness about his letter I find strange.

If a period in its history had to be chosen as its most difficult, 1947 to 1949 for the British Army could fit it. It was running down after a great war, yet still on operations and having to serve in many parts of the world. It was trying to recruit its regular cadre from a battered and exhausted population sick of war, and at the same time having to train a vast National Service element. Those of us, officers, warrant officers, and ncos, who served in those years can justly marvel that we kept the finest Army in the world in being at all.

Without doubt, there were flaws in the system, and until it settled down the flaws were serious. But it did settle down, with results of which Britain can be proud. National Servicemen served in Aden, Kenya, Cyprus, Korea, and Palestine, and many other places where fighting and stress had to be endured. As to their quality, let me quote the following only.

In Malaya, during the emergency, I heard Colonel (as he then was) Mike Calvert state to my CO that in his opinion the National Servicemen was as good a soldier as any he had served with. I heard Gurkhas, superb professionals as they were and are, unreservedly praise our National Servicemen.

In Cyprus, during the troubles, I heard my Brigade Commander state he could never detect any difference between Regular and National Servicemen, and nor, of course, could anyone else. Both were as tough, resilient, resourceful, and determined as the best. Soldierly qualities have been told, or took the consequences. That's why we are a free people.

The vast majority of men who passed through the system will state they are glad they did, and if you can find them anywhere, will even admit to them in having done so.

Yours faithfully,
A. R. WYTHE,
135 Kirkdale, SE26.

From the Reverend John Gaskell

Sir, In your discussion of compulsory service to the community Dr Neville-Smith's letter comes as a timely reminder that there is no evidence to support the high moral tone of some advocates of revived National Service.

Most of our contemporary leaders and managers, top City

Opposing views of Stanley Baldwin

From Lord Baldwin of Bewdley

Sir, I imagine there will always be two views about Stanley Baldwin, whose political character and actions between the wars continue to puzzle so many commentators. What those who have studied the debates and other contemporary records of those years will find quite disingenuous is the attitude towards him of Labour MPs, as reported in your March 5 issue.

There is something that takes the breath away in the prospect of the heirs to a party which, in the 1930s, fought tooth and nail against virtually every proposed measure of rearmament, passing censure on the man who campaigned and won the crucial election in 1935 on the basis of the conduct of the country, that if not given the powers he sought he would "leave it to those who think the risks are worth taking", there was no doubt in people's minds who those might be.

Have today's Labour Party forgotten this, as they bandy about the catchword "appeasement", with its undertone of shameful military weakness? That would be the charitable view. Should they also not be reminded that in Baldwin they had an opponent who was more truly sympathetic to what they stood for than probably any other politician before or since? It was the General Secretary of the TUC who wrote to him when he assumed the premiership for the third time:

"The fact that we differ in politics has never prevented me from recognising and admiring the great capacity, common sense and above all the human qualities which have always distinguished you. There may be difficult days ahead but these will serve to bring out those virtues of your character which have endeared you to millions and which command the respect of all."

If the trade union leader from the time of the General Strike could write in these terms, what are we to make of Mr Foot's reported inability to find any other politician before or since? It was the General Secretary of the TUC who wrote to him when he assumed the premiership for the third time:

May I by the way, as the possessor of many delightful cartoons of Baldwin throughout his long career, remark that the person who selected the cartoon to accompany Mr Crichtley's article on February 27 probably did as much as anybody to kill off any remaining support for a statue to the man whom Churchill described after his death as "the most formidable politician I have ever known in our public life."

Yours faithfully,
BALDWIN OF BEWDLEY,
Baldwin House,
Goldsworthy Road,
Wolvercote,
Oxford,
March 8.

The new poor

From Dr Peter Bird

Sir, A student has just been to see me to explain his absence from a class I was teaching.

He was being interviewed for graduate recruitment by a major national firm, and was asked to come to the firm's offices in London. Together with other interviewees he was put up for two days in a luxury London hotel in £50-a-night rooms. All meals were provided, and were of course of the same luxury standard. On both evenings the interviewees were entertained at the hotel bar, all drinks being provided without limit throughout the evening. Throughout the year several hundred graduates apparently are treated by the company in the same way.

What my student was away, I was at a seminar here with a distinguished visiting professor from another British university. Before the seminar he was entertained to lunch by members of our department, each of whom paid for his or her meal from their own pocket; after the seminar we saved a taxi fare by encouraging him to wait for a bus to the railway station. Our offices at the university are heated only to the legal minimum of 50°F; another economy is to provide our lavatories with shiny rather than soft tissue.

Government spokesmen tell us that the cuts in university finance are to allow the private sector to create wealth. Can your readers share the joke with me? My laughter is too great for me to control alone.

Yours sincerely,
PETER BIRD,
Department of Economics,
University of Stirling,
Stirling,
March 4.

In other words

From Mr George Stern

Sir, Just before the orgy of hysterical moderation about the speech of Mr Pat Wall (report, March 8) commences, may I point out that his programme of dismissing the Queen, House of Lords, senior officials and judges has been carried out, often several times over, in every major European country and they do not appear to have been less successful socially or economically than Britain.

Yours faithfully,
GEORGE STERN,
6 Eton Court,
Shepherds Hill, N6,
March 8.

Caring in schools

From Mr Tom Scott

Sir, In your leading article (February 26) on the judgment by the European Court of Human Rights in the case of Campbell and Cosans v UK you claim that it is "astonishing that the Government should claim in the week that a Tenth school has been closed because of the violence of nine and 10 year olds", but omit to point out that the school concerned uses the cane. Indeed much of the violence there appears to have been precipitated by canings meted out to five boys.

There is no evidence that corporal punishment is a deterrent. There is, however, considerable evidence pointing to the fact that beating children is counter-productive. And it is significant that in the first local authority to decide to ban beating, Inner London, there has been a dramatic reduction in the number of assaults on teachers: from 62 in 1978, the year before the LEA made its abolitionist decision, to 35 in 1981.

Finally, on the question of the practical implications of the European Court's decision, you might reject as "judicious" the concept of formally establishing beating and non-beating schools, but claim that, although it would be "awkward" to "discriminate" between parents whose children had opted for caning and those whose parents were opposed.

The problem facing the educational authorities is no different from coping with the different religious requirements in schools: difficult to understand how you have reached such a conclusion. Certainly children who are excused religious education because, for example, their parents are atheists, might incur some resentment from their peers. But that would pale into insignificance in comparison with the sense of injustice that a child would feel if he or she were given a caning, whereas another pupil who had committed exactly the

Namibia aims

From the Bishop of Manchester

Sir, The four members of the British Council of Churches delegation who visited Namibia recently (of whom I was one) are not surprised by your report (February 17) that the black President of the Democratic Turnhalle Alliance has resigned and taken his party with him.

We met Mr Kalangua in his office while in the war-torn northern areas and the strain on him was all too obvious. It was caused by the bitter opposition of white members of the DTA to any moves towards a genuinely non-racial party completely opposed to separate development and continued dependence on South Africa.

However the report of your Johannesburg Correspondent could mislead your readers into supposing that there is any real chance of Mr Kalangua's developing a serious challenge to Swapo (South West Africa People's Organisation). Our impression was of overwhelming popular support for Swapo, and this not only in Ovambo areas.



COURT AND SOCIAL

COURT CIRCULAR

BUCKINGHAM PALACE
March 9: The Queen held an investiture at Buckingham Palace this morning.

The Right Hon. Margaret Thatcher, M.P. (Prime Minister and First Lord of the Treasury) had an audience of Her Majesty this evening.

The Prince of Wales, attended by the Hon. Edward Adeane, this evening dined with the Thomson Organisation at Thomson House, Stratford Place, London, W.1.

The Princess Anne, Mrs Mark Phillips and Captain Mark Phillips this evening attended the Livery Banquet of the Worshipful Company of Carmen at the Mansion House.

Her Royal Highness and Captain Mark Phillips were received upon arrival by the Right Hon. the Lord Mayor (Sir Christopher) at the Mansion House.

Miss Victoria Legge-Bourke was in attendance.

Lady Susan Hussey has succeeded the Hon. Mary Morrison as Lady in Waiting to the Queen.

CLARENCE HOUSE
March 9: Queen Elizabeth The Queen Mother was present this evening at a performance of "Underneath the Arch" at the Prince of Wales Theatre in aid of the Bud Flanagan Leukaemia Fund.

Ruth, Lady Fernoy and Sir Martin Gilliat were in attendance.

Ruth, Lady Fernoy has succeeded Lady Elizabeth Basser as Lady-in-Waiting to Her Majesty.

KENSINGTON PALACE
March 9: The Princess Margaret, Countess of Snowdon, Colonel-in-Chief The Princess Louise Fusiliers, today received Lieutenant-Colonel R. W. Chisholm, Commanding Officer of the Regiment.

KENSINGTON PALACE
March 9: Princess Alice Duchess of Gloucester was present this evening at a Concert given by The Commonwealth Philharmonic Orchestra in aid of the Save The Children Fund Polish Appeal, at the Royal Albert Hall, London. Miss Jean Maxwell-Scott was in attendance.

Prince Edward is 18 today.

A service of thanksgiving for the life of Sir Christopher Southcott, Baron, was held in the Queen's Chapel of the Savoy on Thursday, March 11, at noon.



Steve Overtt, the Olympic athlete, with his wife yesterday, after receiving the insignia of the MBE at Buckingham Palace.

Forthcoming marriages

Lord Hacking and Dr T. M. Hunt

The engagement is announced between David, eldest son of the late Lord Hacking and of Daphne Lady Hacking, and Tessa, elder daughter of Mr and Mrs Roland Hunt, of Spindewood, Whitchurch Hill, Reading, RG3 7FG.

Mr C. J. Peacock and Miss F. M. Bird

The forthcoming marriage is announced between Christopher, son of Mr and Mrs A. J. Peacock, of Alfriston, Sussex, and Tessa, younger daughter of Mr John Bird, of Ingatestone, Essex, and Mrs K. M. Bird, of Blackmore, Essex.

Mr M. R. W. Hurley and Miss F. J. Lenton

The engagement is announced between Mark, only son of Mr and Mrs J. H. R. Hurley, of Moorcroft, Grange Road, Sudbury, Avon, and Fiona, only daughter of Mr and Mrs G. N. Lenton, of Medway Drive, Keynsham, Avon.

Mr P. Griffin and Miss J. M. Turner

The engagement is announced between Paul, eldest son of Mr and Mrs R. S. Griffin, of Cranford, Humberston, Lincolnshire, and Janet Mary, only daughter of Mr and Mrs C. S. Turner, of Brockdene, Buckinghamshire.

Mr P. Routley and Miss M. A. Bratt

The engagement is announced between Patrick, younger son of the Rev Dr Erik and Mrs Routley, of Princeton, New Jersey, and Melanie, only daughter of Mrs Philip Marshall, of Richmond, Surrey, and the late Mr John S. Bratt.

Mr J. E. Thornton and Miss A. C. Matthey

The engagement is announced between James, elder son of Mr and Mrs E. M. Thornton, of Canford Cliffs, Bournemouth, Dorset, and Amanda, younger daughter of Mr and Mrs J. C. Matthey, of Snowhill House, Fildes, Burford, Oxfordshire.

Marriage

Mr M. Bilmes and Mrs M. M. Darley
The marriage took place quietly in Richmond upon Thames on Wednesday, March 7, between Mr Maurice Bilmes and Mrs Margaret Mary (Molly) Darley.

University news

Cambridge
Prof T. Reff, professor of art history, Columbia University, New York, elected Slade Professor of Fine Art for 1962-3.

Awards
The Battle scholarship, a Henry Arthur Thomas prize and a Sneyd medal were awarded to Mr P. G. F. Mather, of King's College, London, for 1961-2.

Scholarships
John Stewart of Rannoch scholarship in Greek and Latin and an annual bursary of £200 were awarded to Mr John Stewart of Rannoch, a pupil of the Rannoch School, Rannoch, Perthshire, for 1961-2.

Latest appointments

Mr S. Springer and Mr J. Bell to be members of the Employment Appeal Tribunal from March 12.

Mr S. Springer, a barrister, and Mr J. Bell, a solicitor, are both of the London Symphony Chorus, to be conductor of the London Philharmonic in succession to Mr John Aldis.

Special Forces Club

The annual general meeting of the Special Forces Club will be held in the 21st S.A.S. Drill Hall, D. Block, Duke of York's Headquarters, King's Road, Chelsea, S.W.3, on Thursday, April 22, 1962, at 6.30 pm.

£1,000 Premium Bond prizewinners

The £1,000 winners in the March Premium Bonds draw are:

1. 101 234 567	2. 101 234 567	3. 101 234 567	4. 101 234 567
5. 101 234 567	6. 101 234 567	7. 101 234 567	8. 101 234 567
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89. 101 234 567	90. 101 234 567	91. 101 234 567	92. 101 234 567
93. 101 234 567	94. 101 234 567	95. 101 234 567	96. 101 234 567
97. 101 234 567	98. 101 234 567	99. 101 234 567	100. 101 234 567

Shrewsbury School

Shrewsbury School, Shropshire, has been awarded a grant of £10,000 by the Ministry of Education for the purchase of a new school building. The school, which was founded in 1525, is one of the oldest in England. The new building, which is being built on a site in the town, will provide accommodation for 100 boys and 50 girls. The school is currently in the process of raising funds to complete the building.

Latest appointments

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Mr S. Springer, a barrister, and Mr J. Bell, a solicitor, are both of the London Symphony Chorus, to be conductor of the London Philharmonic in succession to Mr John Aldis.

Latest wills

Mr Cyril Edward GOURLEY, VC, of Basingstoke, Surrey, who was the Victoria Cross as a sergeant in charge of a section of howitzers at the Battle of Cambrai in the First World War, left estate valued at £508,898 net.

Other estates include (net, before tax paid):

Darwin, Mrs Olive Annie, of Snaith, North Yorkshire, £231,095.

Dollar, Mr Archibald Thomas John, of Wilton, Wiltshire, a volcanologist, £179,308.

A trace of Lutyens in the inner city

By Charles McKean, Architecture Correspondent

Those who have been seduced by the view that all modern architecture and all council estates are hideous and antisocial should visit the new housing development at Aberdeen Park, Islington, north London. To hold those views and not to study what has been achieved there would be to admit that they were founded on pure prejudice.

Sometimes the quality of new developments achieves a standard which staggers even those who support the general idea of modern architecture achieving social aims. The Aberdeen Park estate lies to the east of Highbury Fields, in a poor, inner-London borough whose legacy of Georgian buildings has led to a widespread view that nothing else there is acceptable.

A comparison between this new development and some of the threadbare, cramped and treeless streets in Barnsbury demonstrates the extent to which good modern design can triumph against all the odds. These odds include prejudice, cost control, high density and standardisation, which some European countries would be embarrassed to impose on new construction.

The scheme is a combination of Victorian villas, retained at the request of the architects, Darbourne and Darke, and a new series of houses and flats, totalling 79 dwellings in all. All families are housed at ground level with their own private garden, and the scheme as a whole envelopes a large open garden with the retention of some fine trees.

It is quite easy to identify the work of Darbourne and Darke who, since the main failure in a sale that totalled £81,055, with 18 per cent bought in.

Screens of more recent dates, however, readily found buyers, with a few exceptions. A French dealer, for example, paid £10,000 (£11,000 to £15,000) for a two-leaf early-nineteenth-century example; the same buyer paid £4,000 (£5,000 to £6,000) for a six-leaf, eighteenth-century example depicting cranes on a rock by bamboo trees in a stream.

Prices for Japanese prints were steady and underlined the trend in recent months. An example by Hiroshige, known as the Sudden Shower at Atake, from the series of 100 famous views of Edo and dating from 1856 to 1858, realized £5,400 (£2,500 to £3,000) to Sawers, the London dealer.

Screen fetches £9,180

The screen section of Christie's sale yesterday, which included Japanese prints, paintings and illustrated books, drew most attention with two rare examples from the sixteenth or early seventeenth century.

A very good six-leaf screen decorated with open and closed fans scattered on a gold cloud background, which the auctioneers had catalogued as Momoyama-early Edo, realized £9,180 (estimated £5,000 to £8,000) from a private collector living in Greece.

Another six-leaf example, although slightly earlier but in poorer condition, failed to find a buyer at £8,000, the reserve price. It was decorated with various kosode (robes) of different designs on racks, it was

the main failure in a sale that totalled £81,055, with 18 per cent bought in.

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Dollar, Mr Archibald Thomas John, of Wilton, Wiltshire, a volcanologist, £179,308.

Lord Butler of Saffron Walden, K.C., P.C., C.H., whose death at the age of 79 is recorded elsewhere, was one of the most accomplished and influential statesmen of the century. He served as Minister of the Crown for nearly 27 years, a span exceeded only by Sir Winston Churchill, and held every senior office except the Premiership.

The scale of his political achievement was as remarkable as its range. He was the creator of the modern educational system, the key figure in the revival of post-war Conservatism, arguably the most successful Chancellor since the war and unquestionably a Home Secretary of reforming zeal. A protagonist above all else of the liberal strain in his party's philosophy, he worked with a full sense of history for the evolution of Empire into Commonwealth; contributing as a junior minister to Indian self-government and as an elder statesman to the orderly fulfilment of African aspirations.

This record was the product of a first-class intellect, shrewd judgment and high idealism. But with these qualities of mind and character there went a public sensibility of expressiveness often appeared contrived and private self-criticism and self-doubt that were entirely genuine. It was these features of temperament, more than any other factor, that cost him the Conservative leadership in 1957.

In 1957 his equivocal attitude to the Suez adventure was thought to compare unfavourably with the forthrightness of Mr Harold Macmillan. In 1953 he found it vulgar and distasteful to engage in a struggle for personal power by refusing to serve the then Lord Home. As he told a television interviewer in 1966, "One cannot alter one's nature".

Richard Austen Butler was born at Attock Serai in India on December 3, 1905. The elder son of Major Reginald Butler, he was educated at the Central Provinces. After preparatory school and Marlborough, where the nickname "Rab" caught on, he graduated from Pembroke College, Cambridge, in 1925.

His appetite for politics had been whetted as President of the Union and was further encouraged by the example of his uncle, Geoffrey Butler, who was at once elected to a Fellowship at Corpus Christi College.

He was returned for the Saffron Walden division of Essex where he made his home and which remained loyal throughout his 36 years in the Commons. Sir Samuel Hoare, asked by Geoffrey Butler as a dying wish "to look after Rab", advanced his career. On becoming Secretary of State for India when the National Government was formed, Hoare made Butler his Parliamentary Private Secretary. Marriage in 1926 to Sydney Courtauld, heiress of the great textile firm, gave him both financial security to enter public life and the stimulus of a gifted, strong-willed partner.

In the 1929 general election he was returned for the Saffron Walden division of Essex where he made his home and which remained loyal throughout his 36 years in the Commons. Sir Samuel Hoare, asked by Geoffrey Butler as a dying wish "to look after Rab", advanced his career. On becoming Secretary of State for India when the National Government was formed, Hoare made Butler his Parliamentary Private Secretary.

In this capacity Butler played a valuable part in preparing the measure which became the Government of India Act, 1935. He had, wrote Hoare, "a well-trained and imperturbable mind that could digest a mass of disjointed facts and remain clear and unconfused" — a capability much needed in helping to pilot through the Commons a Bill of 473 clauses and 16 schedules against opposition from the diehards led by Churchill.

His family tradition and progressive instinct made the task congenial and the adroitness he brought to it won him a parliamentary reputation.

It also gained him respect and admiration from Lord Halifax, whose Viceroyalty had been the landmark on the road to the 1935 Act. When Halifax became Foreign Secretary on Anthony Eden's resignation in February, 1938, he asked for Butler as his Under-Secretary of State. Being the only Foreign Office spokesman in the Commons sharpened and polished his skill as a parliamentary performer, causing David Lloyd George to place him in an opposition camp from those who were to lead the Conservative Party during the next quarter of a century.

His removal from the Foreign Office was surprisingly delayed until the summer of 1941 when Churchill

offered him the Board of Education. Save for a few months in 1937-38 when he was appointed to Ernest Brown at the Ministry of Labour, this was Butler's first political opportunity on the domestic front and he seized it with constructive enthusiasm. Despite explicit instructions from the Prime Minister to confine himself to administration, he determined, in his own words, "to harness to the educational system the wartime urge for social reform and greater equality".

The 1944 Education Act, which will always be linked with his name, was one of the most important and far-reaching reform measures in our time. Butler's principal contribution lay in the new and hard-won religious "settlement", establishing a framework within which Church schools and local authority schools could co-exist side by side. The complex financial arrangements enabled physical reorganization of schools into primary and secondary to proceed, the concept of elementary education as an inferior kind of schooling for the poorer classes to be swept away, and a coordinated national system providing free secondary education for all to take its place.

The all-party character of the government allowed this educational measure, unlike its predecessors, to pass with a relative absence of political strife that suited the temperament of its begetter. Butler had been a member of the Cabinet's Reconstruction Committee since 1943 and was one of the small minority of Conservative Ministers to see the advantage of keeping the Coalition in being beyond the defeat of Germany. Since these views did not prevail, he exchanged in July, 1945, his short-lived role as Minister of Labour in the caretaker government for six years in opposition as the Conservatives' principal policy maker.

In May 1947, the "Industrial Charter" was published, followed by a series of further "Charters" — policy statements culminating in the party's election programme for 1950 and 1951. Each of these had a composite authorship but, from his position as head of the party's Research Department to which he recruited a varied "brains trust" of younger Conservatives, Butler exerted a decisive influence on their content and expression. They gave the post-war Conservative an up-to-date but distinctive image, making plain its commitment to full employment and the Welfare State, while presenting a recognizable alternative to Socialism by "reclaiming a prominent role for individual initiative and private enterprise in the mixed and managed economy".

When the Conservatives returned to power in 1951, at the height of a balance of payments crisis, Butler was rewarded with the Exchequer, where his tenure was both long and distinguished. What he lacked in technical qualifications he more than made up for in political judgment and flair, and his conduct of affairs was marked by restoration of the public finances, a substantial easing of the burden of taxation and the freeing of the economy from an elaborate network of physical controls still surviving from war-time. By 1953 his political standing was such that, during the simultaneous illnesses of Churchill and Eden, he was the obvious choice to act as head of the government.

This was the high noon of Butler's career. In the autumn of 1954 he dramatized his confidence in ever-growing prosperity by prophesying that the British standard of living could be doubled in the next 25 years. Economic expansion, however, was soon to get out of hand and, over-estimating the effectiveness of monetary restrictions alone, Butler saw fit to give a



sizeable tax concession in April, 1955, the greater part of which it proved necessary to take back in October. This miscalculation profited his party, which fought and won the general election between the two budgets, but damaged his own prestige.

At the end of 1955 he was moved to the non-executive posts of Lord Privy Seal and Leader of the House of Commons. Though he excelled in the latter role, this was personally and politically the most unhappy phase of his life. The previous year Sydney Butler had died of cancer. Rab's strength and spirits were severely undermined, and in the summer of 1956 a virus infection of the brain took a further heavy toll. These strains remained evident during the Suez crisis. They heightened his often engaging disposition to be indiscreet while blunting his sensitivity to the occasions when it was more prudent to speak by the card.

Butler felt himself personally committed to the policy of "saving the Canal", in the last resort by force. At the same time he was sceptical to the point of repugnance about the manner in which it was conducted. This ambivalent position was shared by more than one of his colleagues who remained in the government, but none displayed dubieties so incautiously or found himself contending for the succession when Eden resigned in January, 1957.

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In the aftermath of Suez the new government could scarcely have survived without Butler's unstinting support. He was changed by more than one of his colleagues who remained in the government, but none displayed dubieties so incautiously or found himself contending for the succession when Eden resigned in January, 1957.

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the Government while Macmillan underwent an operation for prostatic obstruction. The conference was in full session when the Prime Minister made known his decision to resign, and furious lobbying and intrigue rent the party for more than a week. Butler staked his claim to the succession by insisting on standing in for Macmillan at the traditional rally which closed the conference. Lord Hailsham, reputedly with Macmillan's backing, announced that he too was a contender. But experience, commentators had already observed before the conference ended that a compromise candidate was "emerging".

Despite an eleven-hour revolt by several members of the Cabinet, Lord Home kissed hands as Prime Minister on October 19. It is highly likely that, had Butler not refused to accept office, many others would have done likewise, and Home would have been unable to unite the party behind his leadership. But Butler could not find it in his nature to fight for personal advantage. "It seemed to me," he wrote later, "that the most unselfish way of winning unity was to serve with a friend rather than to force the issue the other way."

He served for barely a year as Foreign Secretary, a post to which he had vainly aspired during the Macmillan government. A few months after Labour won the 1964 general election he was offered the Mastership of Trinity College, which is in the gift of the Crown and where the Prince of Wales was shortly to take up residence, and at the same time a life peerage. Thus in 1965 he returned to his roots in Cambridge, where his family had maintained a consecutive tradition as dons since the eighteenth century, and to a period he himself described as one of perfect happiness.

Butler had old and strong links with Trinity. He was often in the Lodge when his father's uncle, H. M. Butler, was Master, and his cousin, Sir James Butler, had been a Fellow since 1917. Moreover, his stepson, Christopher Courtauld, had been chaplain since 1963. Lord and Lady Butler were soon completely at home, and took a most active part in college life. The Master was, inevitably, a superb chairman of the college council, but he was also a superb chairman of the meetings of undergraduates with such skill that even the most ardent reformers felt they had a fair hearing. They also had ready access to the Master's Study, and the long hours they spent in telling him their views contributed more to the happiness of the college. Fellows and their wives were all entertained in the Lodge; and prodigious numbers of undergraduates, graduate students, and their girlfriends, succumbed to the charm of Lady Butler's benevolence and wit, and enjoyed the fact that she had arranged college and family possessions with unique skill — the pictures ranging from the Master's superb French Impressionists to a remarkable collection of cartoons from his political life.

6 Forward bargains are permitted on two previous days

[illegible]

De Beers cuts dividend by half



BUSINESS NEWS/COMPANIES AND MARKET REPORTS

Changes bring recovery hopes at Kwikfit

Buying by
Ivory & Sime
helps shares

Kwikfit shares bounced off the bottom yesterday. That was because one of the largest shareholders of the tyre and exhaust fitting group, Edinburgh investment trust group Ivory & Sime, announced it had bought a couple of hundred thousand more shares (Sally White writes).

The purchase coincided with the change in City sentiment; the view is that fundamental changes in the group are working their way through to a profits recovery.

On the trading level, all that snow and salt have corroded hundreds of thousands of exhaust pipes, which are going to need changing sooner rather than later.

Being Edinburgh-based, Ivory is in an excellent position as a Kwifit watcher: its head office is there, too. Like everyone else — including Kwifit's own management — they were shattered by the collapse of margins last summer. Profits dropped from £2.14m to £1.4m at the halfway stage. Few brokers expect more than £1.6m or so for the full year ending in February.

Kwikfit were on a wrong foot when they were caught by pressures from all sides. They had doubled the numbers of depots in 18 months (after picking up 180 in an excellent property deal from Firestone, and selling 81 on to Dunlop to cover the cost).

So they had 200 depots trading just when recession slashed demand, suppliers sold off stocks of tyres at cut-price rates to every corner garage, and expenditure on doing up the depots and advertising was high. Not the time to have a badly overstretched management team.



Mr Tom Farmer, chief executive: "The system is working."

What has happened since that disastrous period, which might have been spotted from Charlotte Square, and made them pick up shares that have come down from a high of 115p to 46p.

Ironically a vast number of developments were already in process last summer. The management was strengthened — Mr John Paget came in from Tenneco and is now a director, and Mr David Jenkins came in from Michelin. A computer is now keeping head office in touch with stocks, sales and cash at each depot.

Marketing campaigns and staff training from the floor upwards aimed at putting over an image of quality business were started.

"Terminals went into the depots just over a week ago — and the system is working", Mr Tom Farmer, the chief executive, said yesterday. "Apart from the controls it will give us, it will also enable us to go into the fleet business. Our depots are all over the country and as each has a terminal we will be able to do a complete fleet manage-

ment job linking straight into our customers' system."

Mr Farmer says the terminals should save £50 per depot a day. That is enough to generate earnings to help to justify the present rating and perhaps to increase the dividend.

Brokers are nervous of the thought of more expansion through acquisition. They want to see growth generated from the existing depots. That will give them a chance to see the quality of management, rather than financial skills at property dealing.

Kwikfit say that all the management needed is now in place. There is even a special sales team set up to target on low performing depots.

There will still be a question mark over Kwifit for a while. A large number of funds bought it as a growth stock at over 80p. Also the business of fitting tyres and exhausts has matured, with competitors ever increasing. But it is worth watching Scottish judgment.

Building for a
bright future

Drake and Scull, the mechanical and construction engineers, has been staging a sharp recovery after three of four years when it seemed to be going nowhere (Drew Johnston writes).

For the year to October, pretax profits rose by 65 per cent to £3.6m and Sir Monty Finneston, the company chairman says: "The current year's profit performance should be no worse."

Reports from an analysts' meeting with the company's management team last week suggests that Drakes is justifiably bullish about its future prospects.

Analysts are particularly impressed with the tight management style.

A substantial part of the business is overseas, and Drake's interests in the Middle East, Singapore and Hongkong are said to be doing well.

At home profitability improved by 40 per cent to £1.93m in the year to October 1981. One bleak spot was Sturtevant, the fan-making concern, where 1980 profits of £77,000 turned into a loss of £227,000 in 1981. Management blamed a fall in orders.

Hopes of a break-even performance this year at the subsidiary are high, after a £500,000 rationalization programme.

For the group as a whole, stockbrokers Hoare Govett are looking for profits of £4.2m off a rating of 6 and a prospective dividend yield just over 9 per cent.

The share price moved to a new high of 57p yesterday, and analysts think there is still a lot of scope for further rises.

Some commentators have warned that the dramatic revival in the share price — from 28p this time last year — could be coming to an end.

But a significant factor here could be today's Budget. Any boost to the economy is good for builders, and Drake and Scull has thrived on refurbishing contracts for council — housing where it supplies and installs heating and ventilating pipes — and in similar work for hospitals.

HK AND SHANGHAI

Profits and
payout
boosted

Hongkong and Shanghai Banking Corporation, whose attempt to buy Royal Bank of Scotland was blocked by the Monopolies and Mergers Commission, increased after-tax profits by 40 per cent to HK\$2,000m (£188m) in 1981.

The true level of profit is unknown because the figure is struck after transfers to hidden reserves. The directors are proposing to transfer HK\$200m from hidden to published reserves.

The final dividend of HK\$0.44 gives a total dividend for 1981 of HK\$0.65. The total payment for 1981 will cost HK\$996m, 38 per cent more than the previous year.

Hongkong and Shanghai expects to make higher profits in 1982 although it says that high interest rates arising from tight monetary policies and attempts to curtail public spending will inhibit economic growth in 1982. However, it expects to at least maintain the total dividend payment which would work out at HK\$0.43 a share on the capital enlarged by a proposed one-for-three scrip issue.

After the blocking of its expansion plans in the United Kingdom, its American subsidiary, Marine

Midland, recently announced plans to invest up to \$139m in Centran Corporation, an Ohio bank, if regulatory changes allow.

SW FARMER

Fall into red

SW Farmer, the south London structural steel group, suffered a dramatic downturn in the year to December, with a pretax profit of £1m last year turning into a £34,000 loss. But the second half results showed an improvement after the first half loss of £773,000.

Sales for the year increased to £21.3m from £15.4m.

The company has tax recoverable of £36,000 and is taking a £557,000 credit on release of a deferred tax provision. As a result, the surplus after tax is £559,000 against £11.5m. The dividend has been held at 8.7p gross, which makes a total payout of 13.1p gross.

"Market conditions have never been harder but there have been some substantial breaks in the gloom", Mr Brian Farmer, chairman, said.

The company entered 1982 with its highest level of orders ever taken in a new period, most of it for this year.

Mr Farmer said the company's financial position had remained strong in spite of the uninspiring economic climate. There is a substantial bank balance and no borrowings, he said.

INTERNATIONAL



UNITED STATES

Volkswagen of America has reduced benefits to its 4,000 salaried employees by eliminating cost-of-living adjustments for overtime, holidays and sick days.

The move follows a plunge in United States sales of Volkswagen. The company has taken a number of cost saving steps recently including postponing plans to build a second assembly plant.

MOZAMBIQUE

Leyland Vehicles and Duplex Metsec yesterday announced a £10m order for 210 Victory single-deck buses for Mozambique. The Victory chassis will be built at Leyland's factories in Wolverhampton and Lancashire.

JAPAN

Two-day talks on United States-Japan trade disputes opened yesterday with the United States claiming Japan could reduce its soaring trade surplus with the United States by (£2,750m to £5,500m) by opening up its markets to nuclear energy, electronics, computers, fertilizer, pulp, food products, cosmetics, medicine, tobacco products and medical and dental equipment.

LATEST RESULTS

Company or P/F	Sales £m	Profit £m	Earnings per share	Div pence	Pay date	Year's total
Ayer Hiram Tin (N)	—	5.46(4.86)	48(37)	50(60)	22/4	—(135)
Comben (F)	55(52.5)	1.31(3)	101(14)	27/5	25(25)	50(75)
De Beers (F)	6061(649)	4.16(7)	175(27)	25(50)	—	—
De Beers (F)	0.54(0.88)	0.066(0.3)	80 1.1(7.6)	a—	—	—
W Farmer (F)	21.38(15.41)	8.16(1)	1/7	8.1(9.1)	—	—
0.034(1.0)	—	0.008(0.00)	80.7(10.03)	—	—	—(1.45)
F & C (F)	—	2.00(2.14)	31(—)	0.44(0.3)	8(—)	0.65(0.52)
0.00(0.0)	—	0.18(0.63)	a—	—	—	—(2.17)
Manganese Bronze (F)	16.5(15.8)	0.20(0.22)	—	8(—)	—	10(10)
Robinson Bros (F)	11.1(11.5)	0.60(0.58)	5.9(4.0)	0.9(0.5)	—	1.4(1.4)
Woodhouse & Fison (F)	12.9(17.0)	—	—	—	—	—

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish price multiply the net dividend by 1.425. Profits are pretax and earnings are net. a—Loss. b—Figures in Malaysia dollars and ring. c—Hongkong dollars. d—Figures in S. African rands and cents.

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IS THERE A
MARKET FOR TEA
POTS IN INDIA?

WHO IS GOING TO
HELP PAY FOR MY OVERSEAS
MARKET RESEARCH?

WHAT'S THE LATEST
ON THE ZIMBABWE
RAILWAY?

I'M BREAKING NEW
GROUND ABROAD.
WHO WILL HELP
FINANCE ME?

WHAT IS THE
TARIFF ON SUITS
IN JAPAN?

WHAT ARE
MY PROSPECTS IN
SCANDINAVIA AND HOW
DO I MAKE THE BEST
OF THEM?

THIS OVERSEAS
PARTNER I'M THINKING
OF — CAN SOMEONE
CHECK HIM OUT?

HOW DO I LABEL
TINNED LOGANBERRIES
FOR SPAIN?

HOW DO I
GET MY MONEY
BACK INTO
BRITAIN?

BOTB

مركز التجارة العالمية

SUPPLEMENT TO
PROSPECTUSES

2 per cent INDEX-LINKED TREASURY STOCK, 1966
2 per cent INDEX-LINKED TREASURY STOCK, 2006
2½ per cent INDEX-LINKED TREASURY STOCK, 2011

This supplement relates to the following prospectuses ("the Prospectuses"):

- the prospectus for 2 per cent Index-Linked Treasury Stock, 1966 dated 10th March 1981 (as amended by the supplements dated 18th March 1981 and 3rd July 1981);
- the prospectus for 2 per cent Index-Linked Treasury Stock, 2011 dated 22nd January 1982;
- the prospectus for 2½ per cent Index-Linked Treasury Stock, 2011 dated 22nd January 1982.

In accordance with the right reserved to Her Majesty's Treasury by paragraph 13 each of the Prospectuses, all restrictions contained in the Prospectuses relating to eligibility to hold the Stocks listed above have been removed.

It follows that as from the date of this supplement, ownership of the Stocks is no longer confined to persons who are "Eligible Holders" as defined in paragraph 8 of each of the Prospectuses and that the provisions in the Prospectuses governing the furnishing of statutory declarations or other evidence of eligibility to the Bank of England, and the consequences of furnishing untrue statutory declarations or ceasing to be an Eligible Holder, no longer apply.

Accordingly, the provisions of paragraphs 5 to 13 of the Prospectuses have ceased to have effect.

Copies of this supplement to the Prospectuses and of the Prospectuses themselves (as amended by this supplement) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 4th Floor, 14 St Vincent Place, Glasgow, G1 2EL; at the Bank of Ireland, Moyn's Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; at Mullens & Co. 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
9th March 1982

M. J. H. Nightingale & Co. Limited
27/28 Lovel Lane London EC3R 8EB Telephone 01-621 1212

The Over-the-Counter Market

High	Low	Company	Price	Ch	Gr	Stops	Vol	Actual	Full
125	100	Ass Brit Ind CULS	125	—	10.0	8.0	—	—	—
75	62	Airsprung Group	72	—	4.7	6.5	11.4	15.8	—
51	33	Armitage & Rhodes	45	—	4.3	9.6	3.8	8.5	—
205	187	Bardon Hill	198	—	9.7	4.4	9.6	11.7	—
106	100	CCL 11% Conv Pref	106	—	15.7	14.8	—	—	—
104	65	Deborah Services	65	—	6.0	9.2	3.2	6.1	—
131	97	Frank Horsell	128	—	6.4	5.0	11.5	23.7	—
83	39	Frederick Parker	81	—	6.4	7.9	4.1	7.9	—
78	46	George Blair	52	—	7.3	—	—	—	—
102	93	Ind Prec Castings	95	—	15.7	14.7	—	—	—
107	100	Isis Conv Pref	107	—	15.7	7.7	6.8	10.3	—
113	94	Jackson Group	96	—	7.0	7.3	3.0	6.8	—
130	108	James Burrough	112	—	8.7	7.8	8.2	10.3	—
334	248	Robert Jenkins	250	—	31.3	12.5	3.5	8.8	—
62	51	Scrutons "A"	62	—	5.3	8.5	9.5	8.9	—
222	159	Torday & Carlisle	159	—	10.7	6.7	5.1	9.5	—
15	10	Twinkl Oak	13	—	15.0	19.2	—	—	—
80	66	Twinkl 15% UL5	78	—	3.0	12.0	4.5	7.6	—
44	25	Unilock Holdings	25	—	6.4	8.3	5.1	9.0	—
103	73	Walter Alexander	77	—	13.1	5.8	4.3	8.7	—
263	212	W. S. Yeates	225	—	—	—	—	—	—

Prices now available on Frestal page 48146

Base
Lending
Rates

ABN Bank	13½%
Barclays	13½%
BCCI	13½%
Consolidated Crds.	13½%
Lloyds Bank	13½%
C. Hoare & Co.	13½%
Midland Bank	13½%
Nat Westminster	13½%
TSB	13½%
Williams & Glyn's	13½%

* 7 day deposits on sums of under £10,000 £10,000 to £50,000 11½% over £50,000 and over 12½%

At a time when oil prices are falling and there is talk of Opec balance of payments surpluses turning into deficits, this Special Report looks at the ways in which the Arabs are handling the immense wealth generated over the past decade

Arab money

Tumbling oil prices and sharply lower current account surpluses are the latest challenge facing the Arab oil states. Opec countries became net borrowers from Western banks to the tune of \$3,100m in the third quarter of 1981 for the first time since 1978, and forecasters are now talking in terms of the dwindling Opec balance of payments surpluses being replaced by deficits. But the years of plenty since the first oil shock of 1973 have given rise to remarkable changes in the Middle East.

The massive wealth accumulated by the oil states—Saudi Arabia and Kuwait alone have some \$250,000m of foreign assets—huge industrialization programmes, the problem of recycling petrodollars, the wish of the oil-exporters to control both their own destinies and assets—these have all contributed to the emergence of a new and important force in the world of international finance. The growth of Arab banking in particular has been dazzling.

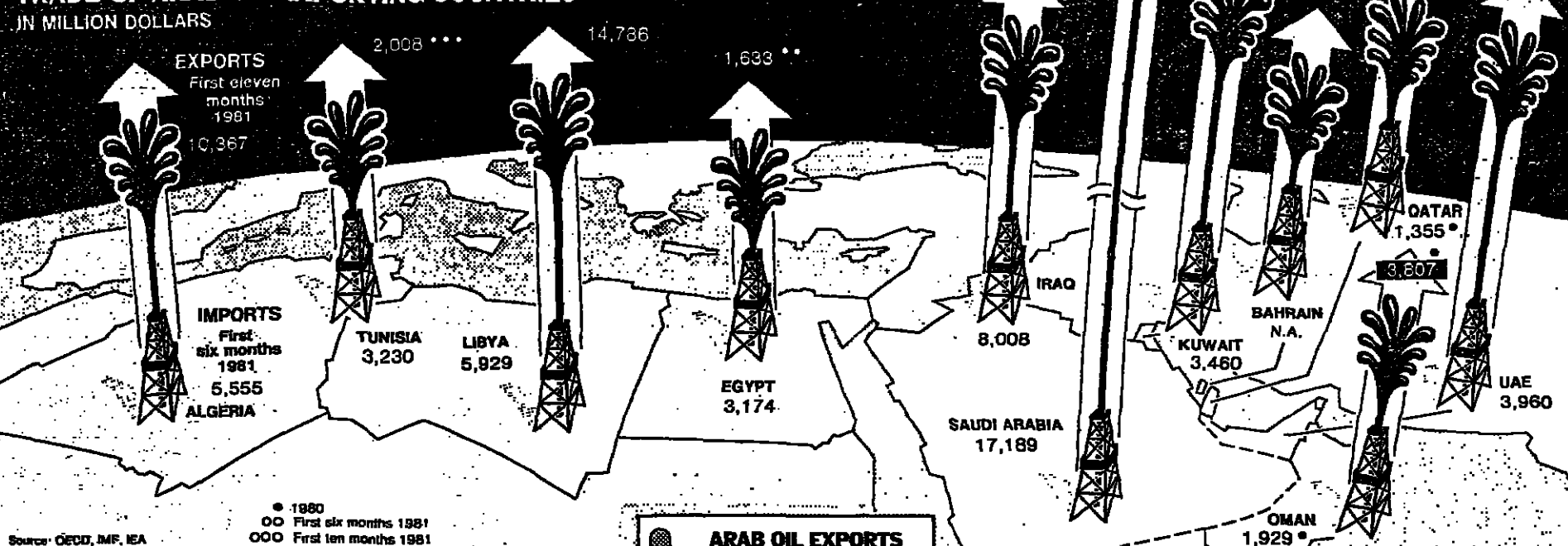
Its history stretches back before the decade when the Arab states began to exploit the true value of their oil wealth. For instance, Commercial Bank of Saudi Arabia, the largest bank in the Middle East, was founded in 1938. Others are older still.

With few exceptions, however, Arab banking until the 1970s was largely a domestic affair, and like the oil industry, dominated by foreigners. With the oil wealth, and the growing national consciousness it engendered, has come rapid expansion and indigenousization of the domestic banking industry and—a largely separate development—a phenomenal rise in Arab international banking.

On the domestic front there has also been rapid expansion in other financial areas. Both Jordan and Kuwait now have active stock markets and the idea has been under consideration in Saudi Arabia. The number of shares traded on Jordan's Amman Financial Market jumped from 2,400,000 in 1978, its first full year, to 17,900,000 shares valued at JD14.4m in 1980.

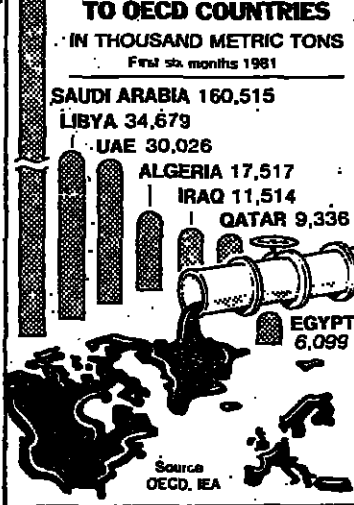
Other capital markets include the Kuwaiti bond market. Now over ten years old, it was set up partly as an investment outlet free of foreign exchange risk for Kuwait money. It has been hampered by lack of an active secondary market and the arti-

TRADE OF ARAB OIL EXPORTING COUNTRIES
IN MILLION DOLLARS



Source: OECD, IMF, IEA

ARAB OIL EXPORTS
TO OECD COUNTRIES



Source: OECD, IEA

ficial level of interest rates but can still number the World Bank and City of Oslo among its borrowers.

In Bahrain, meanwhile, the offshore banking centre—set up in the mid-1970s to provide a local money market for the Gulf states—has made considerable progress, if not entirely meeting the aims and aspirations of its founders. Total assets of the various international offshore banks have risen from \$1,500m at the start to \$49,000m by last November.

Insurance is another important financial area being developed. Despite religious objections to the concept of insurance in the Moslem world, the Gulf is one of the world's fastest growing insurance markets. With premium income from The Gulf now running into several billion dollars a year—most of which had been going to Western insurers—the Arab states have encouraged their own insurance industry both as a means of sharing in the wealth they are generating and as a way of investing oil surpluses.

The setting up of Arig—the Arab Insurance Group—by Libya, Kuwait and the United Arab Emirates with \$3,000m authorized capital is one of the

most important recent developments. It is early days yet for Arig but Western insurers are acutely conscious of any addition to the present worldwide overcapacity and take Arig seriously.

Banking, though, has provided the most exciting and, to date, most important developments. The speed of change in the Arab states during the 1970s has meant that the domestic banks have had to run fast to keep pace with the requirements of the domestic economies, so the international expansion has largely been carried out by separate institutions.

In Saudi Arabia, for instance, total bank deposits grew at an annual rate of between 40 and 50 per cent between 1973 and 1980. In addition the profitability of domestic banking has been a further disincentive to branching out abroad, although domestic banks are now doing so more.

While countries such as Saudi Arabia, along with others, have steadily rolled back the foreign dominance and extended their control over banking, the domestic banks have flourished on the back of trade finance, foreign exchange and project finance.

Retail banking is less well developed. Cash is still important, as too are the money-changers,

who have also prospered from the oil boom. In some Arab countries probably only 4 or 5 per cent of the population have bank accounts although the consumer side of banking, and use of payment forms such as cheques, is now growing fast in The Gulf.

To meet the Koran's prohibition of riba or interest, Islamic banking is also being developed. The Islamic banks solve the problem by giving depositors a

share of profits on business rather than paying interest. Last year saw the setting up of the huge Islamic bank, Dar-al-Maal Islami, with a \$1,000m authorized capital to operate as an international bank.

The Arabs have made remarkable strides in international banking. Last year—largely due to the extraordinary growth of two comparative newcomers, Gulf International Bank (GIB) and Arab Banking Corporation (ABC)—their impact became strikingly apparent in the high-visibility syndicated Eurocredit market, a favoured area for Arab banks which lack corporate customers to service abroad.

According to Morgan Guaranty Trust, the share of syndicated Eurocurrency loans led or co-led by Arab banks leaped from about 10 per cent in the three previous years to 18.1 per cent in 1981. Excluding the \$42,000m of stand-by credits—many never drawn down—arranged during last year's spate of huge corporate mergers in the United States, the Arab share was a staggering 26.5 per cent.

ABC and GIB are a new breed of Arab bank. The initial international thrust in the 1970s came through consortium ventures, frequently with Western share-

holders. Often these banks had specific objectives. Arab Latin American Bank concentrates on trade between the Middle East and Latin America. Saudi International Bank, which is half-owned by the Saudi Arabian Monetary Agency, has a mandate to help the kingdom and companies dealing with it.

Many of these banks have grown remarkably rapidly by Western standards. Total assets of Saudi International, for instance, grew from £785m to £1,228m in 1980, and were about £2,000m by the end of last year. Since the second oil shock of 1979-80, however, the Arabs have wanted a bigger share of the banking business generated by the oil surpluses, and increasingly they have seen banking as a suitable area for investing capital.

The seizure of Iranian assets during the hostage crisis has also awakened Arab fears about the safety of their deposits with American banks.

Accordingly, ABC, described as "the bank of banks" was set up by Kuwait, Libya and Abu Dhabi in 1980 with an authorized capital of \$1,000m. Its growth has been phenomenal. Paid up capital of \$375m was raised to \$750m in April 1981 and total assets, \$1,950m at the end of its first

year, more than doubled to \$4,720m by the end of 1981 and are now over \$5,000m.

GIB, owned by seven Arab governments, whose capital was raised from \$160m to \$265m in 1980, has made nearly as remarkable progress, doubling assets to \$2,890m in 1980 and showing 29 per cent growth to \$3,740m in the first half of last year.

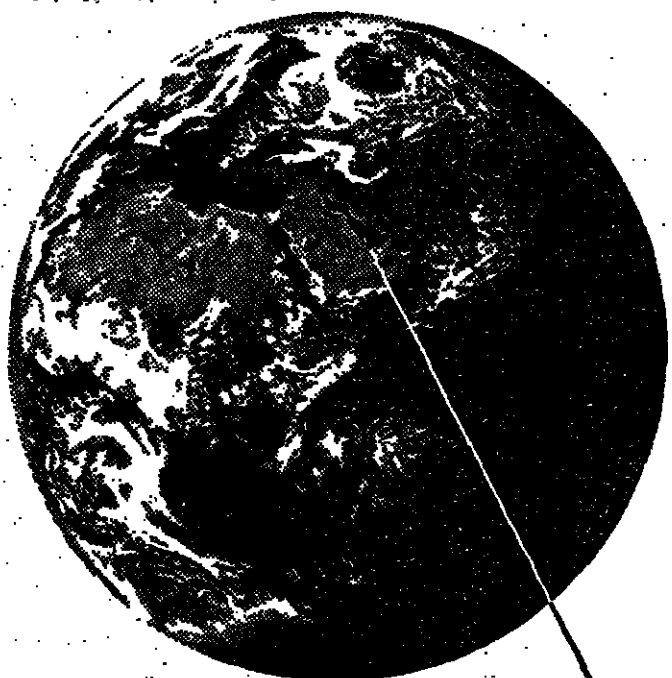
The speed with which Arab international banking has developed can lead to its significance being overestimated. Most of the direct Arab contribution to recycling to the Third World, for instance, has come about through development funds and foreign aid. Regional and national Arab aid agencies have been set up. Saudi Arabia has lent large sums to the IMF, and Arab aid has recently been running at about 3 per cent of gnp—a much higher proportion than the OECD countries have been giving.

Nevertheless, the expansion of Arab international banking has made a welcome contribution to spreading risk and expanding capacity. It has helped to save off the fears expressed by international bankers after the 1979-80 oil shock about whether the banking system, with its capital constraints and country limits, could cope with recycling oil-exporters' surpluses to the less-developed countries running large balance of payments deficits.

In terms of managing the reserves of the oil states the contribution of the Arab banks has so far also been modest. By and large Arab governments have stuck with the likes of Citicorp and Chase Manhattan, although Arab banks have been steadily getting a bigger share—ABC and GIB, for instance, draw over half their deposits from Arab countries, and would like more.

There are two reasons for this. Rapid though their growth is, the Arab banks do not have the capital base to sustain any very pronounced shift in Arab deposits away from the Western banks. Their relative inexperience in running loan portfolios and assessing country risk has also counted against them in the eyes of Arab depositors. Finding and training Arab expertise is one of the major problems for the Arabs in developing their own financial institutions, and one they are tackling with training centres.

Peter Wilson-Smith
Banking Correspondent



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Where the multi-millions go

Are the Saudis going into yen or sterling? Will the Kuwaitis be buying into West German industry or Florida real estate? How big will Qatar's current account surplus be this year?

These questions are of vital interest to governments, central banks, financial institutions, and businesses around the world, but good answers are hard to find. They are known only to men like Abdel-Aziz al-Qurashi, governor of the Saudi Monetary Agency (Sama), who has the daunting task of controlling about three-quarters of his country's estimated foreign assets of \$180,000m. Nobody is quite sure of the exact amount, which the Saudis and other Opec members have accumulated since the first big oil price rises of 1973-74, nor where those thousands of millions are invested. The Arab oil exporters themselves tend to be secretive about their foreign assets, leaving scores of economists and analysts around the world busy keeping track of the Opec surpluses, and trying to predict where they will be placed or from where they will be withdrawn.

Wealth to be returned

About 65 per cent of Opec's total foreign assets are accounted for by just two countries — Saudi Arabia and Kuwait — whose governments command some \$250,000m worth of overseas investments. But the ways in which these two countries' funds are deployed reflect important differences in their attitudes to foreign investment and its ultimate purpose.

The Saudi philosophy is that its foreign investments are "temporary" and that the country's wealth is held abroad only until it can be used productively at home. The absorptive capacity of the Saudi economy is still limited, but the massive development plans being implemented will, it is hoped, create better opportunities for the country's oil revenues to be invested domestically. This ideal is clearly reflected in Sama's preference for straight bank deposits, short and medium term government securities, and other relatively liquid assets. Only very small amounts are held in property or company equity.

Geographically, the United States is by far the most important home for Saudi investments, with more than half of Saudi Arabia's foreign assets held in United States treasury bills. This is partly because of Saudi Arabia's

strong political and economic ties with the United States, but also because Sama feels that the United States markets — by virtue of their size and sophistication — are the best-equipped to accommodate investments on this scale.

While the US still holds pride of place in the Saudi investment portfolio, the last two years have seen a greater willingness to diversify holdings into other currencies, and to accept longer-term maturities. The Saudis have been particularly active in arranging government-to-government credits, notably to West Germany and Japan.

Last year saw perhaps the most important indication yet of the role the Saudis might be playing in the recycling of so-called petrodollars. An agreement was concluded with the International Monetary Fund (IMF), under which the Saudis would provide the fund with up to 8,000m SDRs (about \$10,000m) over three years.

In return Saudi Arabia won a seat on the IMF executive board and an increase in its IMF quota, and hence its voting power, which now ranks it sixth in the IMF hierarchy. This badly-needed injection of funds has enabled the IMF to step up its balance-of-payments assistance to developing countries, and will largely finance the record \$5,800m IMF loan to India.

The Kuwait view of foreign investments differs radically from the conservative Saudi approach. Kuwait sees its investments abroad as serving a more important purpose than the mere safekeeping of surplus wealth. Overseas investments have already become for Kuwait an important source of income, amounting to over \$6,000m in 1981.

Indeed, Kuwait's foreign investments are a major part of its long-term economic strategy, preparing the coun-

try for the day when it will no longer be able to rely on income from crude oil exports to maintain the high living standards its people have grown to expect.

The Kuwait government's foreign assets, estimated at \$75,000m-\$80,000m at the end of 1981, are smaller than Saudi Arabia's, but its pattern of investment reveals a

more aggressive style. Of course, there are substantial holdings in short-term government securities in the US and Britain, as well as dollar, sterling, deutschmark and yen bank deposits. But it is Kuwait's direct investments in equities, property, banking and other activities which characterise its foreign interests.

The Kuwait Investment Office (KIO) in London, the investment arm of the Ministry of Finance, has been active since the early 1960s in acquiring stakes in British companies. The rule that only holdings of more than 5 per cent need be disclosed has made it difficult to tell exactly how big is the Kuwait stake in UK equities.

But it is known that there are at least 45 UK companies in which the KIO holds more than 5 per cent of the shares. These include oil companies, banks and insurance companies, as well as property companies.

As well as the KIO, Kuwait's public sector funds are also invested through Kuwait and foreign banks, investment companies and

insurance companies. The state-owned Kuwait Petroleum Corporation (KPC), the umbrella organization controlling the country's oil industry — is also emerging as an important foreign investor.

Last year it took a 25 per cent interest in the International Energy Development Corporation (IEDC), which invests in the development of energy resources in poorer oil-importing countries.

A worry perpetually on the minds of the financial authorities in countries in which these huge Opec surpluses are held or invested, is what the effect would be of a sudden withdrawal of Arab funds. The freeze imposed on Iran's assets in 1979 probably had as much to do with fear of a withdrawal of Iran's deposits from the US banking system, as it did with the plight of the American hostages or with safeguarding against a possible Iranian default on its debts.

The Iranian experience certainly alerted the Saudis, Kuwaitis and others to the vulnerability of their holdings in the West, and was perhaps a factor prompting money managers to diversify their assets geographically.

But in normal circumstances the chances of a sudden shift of loyalty are remote. The Saudis in particular feel a great sense of responsibility towards the industrial economies, and realize that they now have a vested interest in the stability of the international financial system.

They are careful never to precipitate a run on a currency through a badly timed or excessively large withdrawal. In that sense, the Arab governments' large foreign holdings have probably had a stabilizing effect on the world's financial markets.

Johnny Rizq

Deployment of OPEC's identified financial surplus 1977-80

	1977	1978	1979	1980	Total 1977-80
US, domestic:	7.40	0.26	7.08	14.20	58.44
Bank deposits & portfolios	7.00	-0.04	8.38	13.00	53.30
Other	0.40	0.30	-1.30	1.20	5.90
UK, domestic:	0.70	0.20	2.40	2.80	12.40
Sterling bank deposits	0.30	0.20	1.40	1.40	3.80
UK government stocks	0.00	-0.30	0.40	0.40	3.50
Other	0.40	0.30	0.60	-0.50	8.10
Bank deposits in other countries	10.60	3.00	33.50	41.00	132.10
UK Eurocurrency deposits	3.10	-2.00	14.80	14.80	54.20
Other	7.50	5.00	18.70	26.20	77.90
International organisations and gold	0.30	0.10	-0.40	4.90	14.4
Other investments in other industrial countries, plus loans to developing countries, etc	12.80	10.40	18.30	23.30	100.40
Total (identified) surplus	31.80	13.96	60.86	86.20	318.74

Source: Wharton Middle East Economic Service (derived from data from Bank of England Quarterly Bulletins, US Treasury Bulletins and Office of International Banking)

ISLAMIC BANKING

Economics and the Koran

When Dr Ahmed Al-Naggar, secretary of the International Association of Islamic Banks, advertised recently in the Egyptian daily *Al-Ahram* for staff for an Islamic bank, the advertisement said applicants should not have worked in commercial banks. "I will never employ anyone who has been working in a commercial bank because the philosophy is quite different," he explained. "If you want to destroy an Islamic bank put a commercial banker in it!"

Not all Islamic bankers agree with Naggar, who is well known for his outspokenness. But if Naggar finds it difficult to get the philosophy of Islamic banking over even to Muslims once they have worked within the conventional banking system, how much more difficult is it to convince western bankers and observers that Islamic banking is viable and here to stay.

As Dr Ibrahim Kamel, the chief executive of the recently created Dar al-Maal al-Islamic (DMI), puts it: "People have the impression that we've discovered the lucky gold streak of how to fool people out of their money using the Koran. That is absolutely not true: all the people involved in DMI are wealthy. They didn't need DMI to make more money."

Shortcomings of system

Islamic banking is based on replacing the fixed interest (*riba*) system by one of profit and risk sharing. Although Islamic bankers refer to verses in the Koran which prohibit *riba* and point out that Judaism and Christianity forbade usury. They also argue that the current state of the international financial scene shows the shortcomings of the classical banking system, and, in particular, of interest.

"The Islamic bank's role is to mobilize funds from a community and put them at the disposal of the community — poor and rich — so that the whole community moves forward to become productive," Kamel says. "We don't feel that the actual banking system is doing that. All it seems to do is helping people live beyond their means and sink up to their necks and beyond their heads in debt. He mentions the debts of Poland, Romania, Zaire and the United States budget deficit."

The first project to put Islamic banking theory into practice began in the Egypt-

ian delta town of Mit-Ghamr in 1962, with Naggar as director. Within three years 11 banks had been created with more than a million customers. Although the experiment was disbanded in 1967 for political reasons, Naggar says it proved that: "To face the social and economic problems in Islamic countries you have to integrate the masses in the development process. We cannot do this with any formula which contradicts their religion."

Islamic bankers say that only 4 per cent of potential bank users in Islamic countries deal with banks at present. The remaining 96 per cent represent a vast source of possible business.

King Faisal of Saudi Arabia was keen to see the formation of an international Islamic financial institution, and initiated the process by which the Islamic Conference set up the Islamic Development Bank (IDB) in Jeddah in 1975. In 1981 the bank disbursed more than US\$500,000 in aid to Muslim countries.

King Faisal's son, Prince Mohammad al-Faisal al-Saud, has played a very active role in developing Islamic banking and is president of the International Association of Islamic Banks. He is chairman of the Faisal Islamic Bank in Sudan and the Faisal Islamic Bank of Egypt, both created in 1977, and of the Islamic Investment Company (IIC), which was formed as a Bahamas-registered company in 1977. IIC operates through its Sharjah-based subsidiary, IIC of the Gulf.

The success of the Islamic banks in Sudan and Egypt and of the IIC encouraged the Prince in association with Kamel to launch DMI in a blaze of publicity last year. With authorized capital of \$1,000m, DMI has so far raised capital of \$315m, of which \$155m came from a private offering, \$100m from a public offering and \$60m from a share issue to IIC which DMI has taken over.

Registered in the Bahamas but administered from Geneva, DMI hopes to establish banks, investment companies and insurance companies in 20 Muslim countries during the next five years. They will be owned 51 per cent by DMI and 49 per cent locally. It also intends to create international Islamic banks in Europe, America, the Far East and the Middle East, as well as shipping, mining, leasing, trading and contracting companies.

Although Prince Moham-

med's lion's share of the publicity, a number of other Islamic financial bodies are also operating successfully. The Kuwait Finance House has done particularly well. Founded in 1977, it is owned 20 per cent by the Ministry of Justice, 20 per cent by the Ministry of Finance, 9 per cent by the Ministry of Awqaf and Islamic Affairs and 51 per cent by Kuwaiti nationals. It is said to have at least 40,000 depositors and profits in 1980 were about 10m Kuwaiti dinars, three times greater than 1979.

Mastering a vocabulary

Dubai Islamic Bank was created in 1975 and is owned 10 per cent by the Kuwaiti Government, 10 per cent by Dubai and 80 per cent privately. It and the Kuwait Finance House are shareholders in the Bahrain Islamic Bank established in 1979. In Jordan there is the Jordan Islamic Bank for Finance and Investment with a 100 per cent public shareholding. Egypt's Nasser Social Bank was founded in 1971 to provide interest-free loans and is funded by a levy on public sector companies.

For the westerner, Islamic banking presents a sometimes bewildering array of concepts and terms. The owner of surplus funds is the *rab al maal* and the person or institution entrusted with

funds for management is the *mudareb*. Under the terms of the business organization known as the *mudaraba*, the *mudareb* receives an agreed share in the profits. Losses are sustained from the funds of the *rab al maal*.

Other essential words in the Islamic banking vocabulary are *murabaha* (a cost plus system with a freely negotiated margin added to raw materials or equipment bought by the bank for the client's repurchase), *ijara* (leasing), *musharaka* (a partnership with inputs of capital from all participants), *sakk* (plural *sukuk*, certificate, particularly that issued in relation to a *mudaraba*) and *tadamun* or *takaful* (insurance, expressed as "solidarity").

But Islamic bankers would say that a proper understanding of Islamic banking is much more than mastering a new vocabulary or set of financial mechanisms. It involves understanding the religion itself and the nature of Muslim society.

Islamic banking takes another step forward in September with the opening in Cyprus of the International Institute of Islamic Banking and Economics directed by Naggar. It will offer one-year courses for graduates and eventually four-year courses for school leavers, with an initial intake of 100-150 students.

Susanna Tarbush

The Middle East

RIYAD BANK

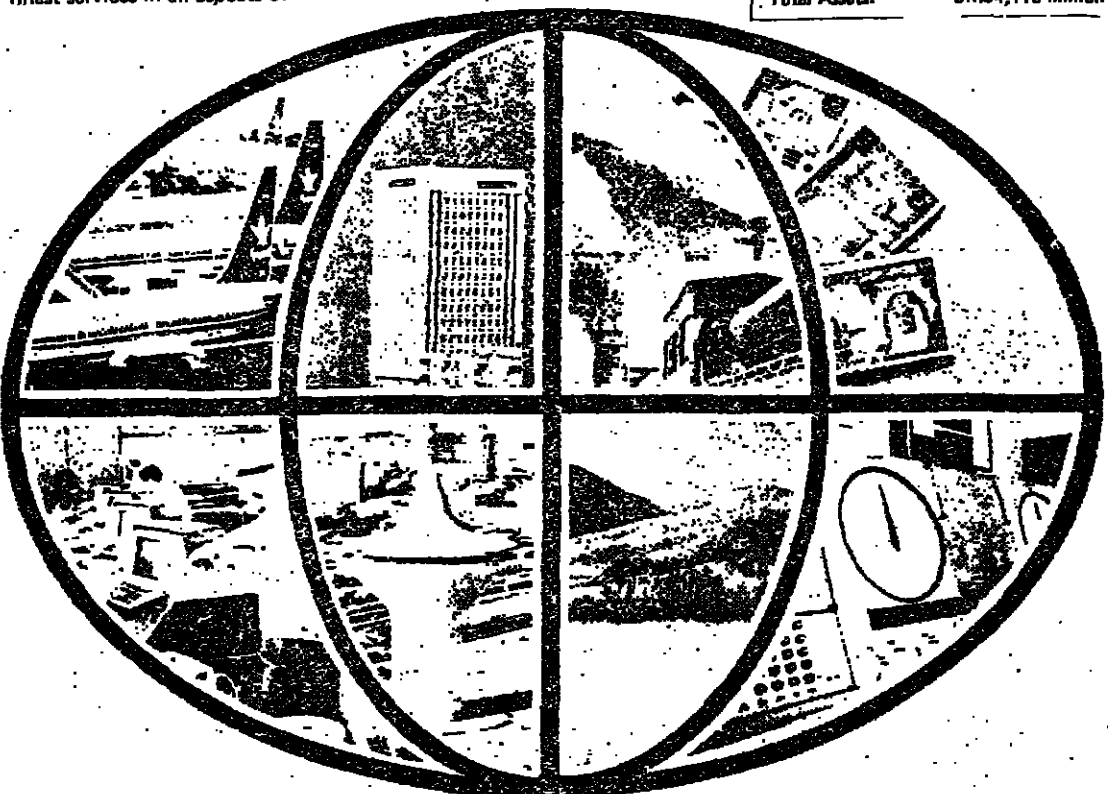
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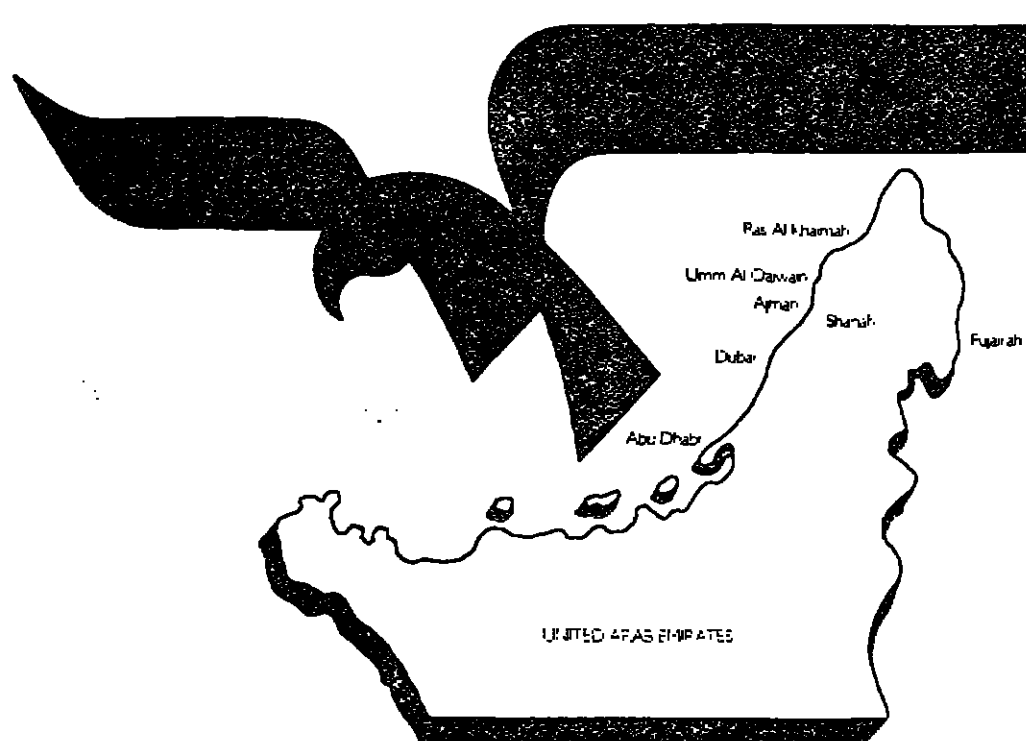
Balance Sheet at 30-6-1401 H (4-5-1981)
Capital and Reserves: SR. 1,800 Million
Deposits: SR. 17,874 Million
Total Assets: SR. 34,410 Million



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ARAB MONETARY FUND

Why the artificial dinar was created

Numerous pan-Arab organizations have recently been set up to help to promote coordination, and possibly integration, of Arab economic, financial, industrial and social policies. One of the most specialized of such organizations is the Arab Monetary Fund (AMF), set up in Abu Dhabi in April 1976. It is partly modelled on the International Monetary Fund (IMF) and like the latter it provides its 20 member states with balance of payments support without being an aid agency as such. Unlike the IMF, the AMF is allowed to offer financial guarantees to members and to act as intermediary in world money markets. Besides, the AMF's medium and long-term targets are not of the type the IMF is expected to achieve.

The AMF's charter, adopted in November 1975, lists several of such targets, the most important of which are: helping in the "progress towards Arab economic integration," developing Arab money markets, working towards creating a "unified Arab currency and 'securing protection' for the rising Arab monetary investments abroad.

Paid-up capital

To help to evolve a unified Arab monetary system, the AMF uses a currency of its own creation. Called the Arab dinar, it is an artificial currency similar to the IMF Special Drawing Right (SDR). One Arab Accounting Dinar (AAD), as it is technically called, is worth three SDRs. The value of the AAD is not based on a currency basket — as the SDR is — but is simply pegged to the SDR itself and therefore it automatically follows the latter's market value.

The AMF's authorized capital has been fixed at AAD 250m (SDR 750m or about \$870m). Paid-up capital has steadily increased, from AAD 67m (about \$233m) in 1976, to AAD 146m (about \$546m) by the end of December 1981. The paid-up capital is supplemented by a smaller sum, now worth \$25m, provided in members' local currencies. This is deposited in members' central banks and is not used for AMF lending.

Loans provided by the AMF totalled AAD 113.4m

(SDR 340.3m or about \$395m) by the end of 1981. The biggest recipients have been Sudan, Morocco, Mauritania and South Yemen, all countries with big balance of payments deficits. Now that the fund has committed more than 50 per cent of its paid-up capital, members will be required, according to a recent board meeting, to pay in their unpaid portions. It is, therefore, expected that the fund's authorized capital will become fully paid soon.

Although this will obviously boost the fund's cash resources, it will not enable it to carry out its ambitious lending programme for the next few years. Addressing a group of senior bankers in London in September 1981, the president of AMF, Dr Jawad Hashim, a London School of Economics-trained economist and a former Iraqi planning minister, said that unless the AMF's capital is increased tenfold, it will have to resort to other sources to stay in business. Of the fund's 21 members, Dr Hashim said, 11 have "chronic" balance of payments deficits. By 1985, such deficits will be so large that only the proposed tenfold capital increase and a closer cooperation with the IMF could help in financing these deficits.

The problem is where will the money come from? The AMF charter allows it to borrow from money markets only up to twice its authorized capital. But even if this was fully done, the fund would still have to find substantial sums from other sources. Dr Hashim wants the fund to be allowed to borrow more and to be able to attract extra Arab "official" funds.

No one country may borrow from the fund more than five times of its paid-up capital. Although AMF loans are in many ways based on IMF procedure, their interest rates and "conditionalities" are more favourable to the borrower. Loans are denominated in AAD, but disbursements are normally made in one or more convertible currencies, especially dollars. Interest rates vary between 3% per cent and 7 per cent, depending on the type of loan and repayment schedule. Lending policy is to provide credits on uniform "concessionary" terms, while maintaining the real value of the fund's capital and increasing its reserves.

Balance of payments support loans normally take one of four forms. An "automatic loan" should not exceed 75 per cent of the recipient's capital subscription. An "ordinary loan", not exceeding 25 per cent of the recipient's paid-up capital, is granted to support a "specific" balance of payments "reform" programme agreed with the fund. The third type, the "extended loan", should not exceed 325 per cent of the borrower's paid-up capital, but extends to seven years instead of five.

Fifth type of loan

The last type, the "compensatory loan", allows the recipient to borrow an amount not exceeding 100 per cent of its paid-up capital regardless of any other borrowing. This is intended to finance unexpected balance of payments deficits resulting from a big unexpected rise in farming imports or from a sudden drop in exports other than oil.

A fifth type of loan, which has already been approved, is expected to be introduced soon. It will enable members with no global balance of payments deficits, but with inter-Arab trade deficits, to borrow up to the equivalent of their capital contributions to the fund. It is hoped that such loans, which will be for up to three years, will boost inter-Arab trade, which now amounts to only a fraction of the region's trade with even the smaller countries in West Europe.

Although much of its business has been in direct lending, the AMF has been working hard on several proposed measures to promote the movement of funds and commodities within Arab countries. One such proposal, which was approved by Arab central banks in August 1981, is to establish an Arab "payments union". Such a union, Dr Hashim says, would remove restrictions on payments between Arab countries. Another proposal is to establish an Arab "monetary area", something like the former British Sterling area. Creation of such a monetary area would be more practical than the fund's original aim of establishing a unified Arab currency, which Dr Hashim thinks is not attainable in the foreseeable future.

Atef Sultan



The Cancun summit on the world economy last October ended, disappointingly, with no specific aid pledges from the participants. However, some Arab countries have given as much as 16 per cent of their gnp in aid in recent years. Prince Fahd, of Saudi Arabia (front row, fifth from right), and President Chadli Benjedid of Algeria (front row, fourth from left), represented the Arab world at the Mexican meeting.

INTERNATIONAL AID

Oil producers' generosity sets example

Last year, the international year of the disabled, might equally well have been dubbed "the international year of talks on the economically disabled Third World countries". Top-level talks on "helping" these countries have recently become a growth industry dominated by words rather than action; something like an international pastime.

Developing countries, whose combined foreign debt is estimated to have reached \$524,000m in 1981, are facing serious difficulties in attracting sufficient commercial loans to meet their immediate needs, let alone long-term development. Because of this, they are naturally looking for more aid and concessionary finance. Aid to poor nations has therefore become a popular item on the agenda of most international talks.

The 1981 list of such talks is impressive. It includes several EEC meetings, the Ottawa summit, the Paris United Nations conference on the least-developed countries, the Canberra Commonwealth nations summit and the Cancun summit. The last was the most disappointing of all. It ended without a final communiqué and no specific aid pledges. Instigated by the Brandt Commission, and attended by heads and leaders of 22 industrial and developing nations, the Mexico confer-

ence offered little comfort to Third World nations.

The Brandt Commission's report, *North-South: A Programme for Survival*, issued nearly two years before the Cancun meeting, proposed that the industrial nations should by 1985 restate the U.N.'s target for the 1970s of 0.7 per cent of gnp and increase this rate to 1 per cent by the end of the century. Industrial nations' aid has for many years been running at only half of the past decade's target and further big cuts have recently been made, particularly by the United States and Britain. Even before it started, many western politicians and bankers had anticipated the failure of the Cancun summit because, they said, the proposed aid targets, even though designed for more than 10 years ago, were highly optimistic.

An impressive record

Such rates have long, however, been surpassed by Arab countries, two of which — Saudi Arabia and Algeria — attended the Cancun summit. The record of Arab donors has been so impressive that the world's leading authority on monitoring international aid, the OECD, in November 1981 praised Arab aid funds for their "sophisticated loan procedure." The

OECD went even further to urge its member countries to equal the Arab funds' record in this respect.

OECD figures show that some Arab countries have in recent years given as much as 16 per cent of their gnp in aid and have been giving, even in absolute terms, much more than rich industrial European states. Italy, for example, whose gnp is not much smaller than the combined gnp of all Arab states, provided only 0.17 per cent of its gnp in aid in 1980. Arab aid has recently been running at about 3 per cent of gnp, or about 10 times the combined rate for industrial nations. In 1980, for instance, the rate for Arab aid was, according to OECD figures, 2.65 per cent of gnp, compared with a meagre 0.27 per cent for the United States and 0.34 per cent for Britain.

Concessionary Arab aid was pioneered by Kuwait 21 years ago, when the Kuwait Fund for Arab Economic Development (KFAED) was set up. Now nearly all Arab oil-exporting states have set up their own aid agencies. Combined Arab aid has increased from about \$1.30m in 1973, to \$4,679m in 1975 and \$6,798m in 1980. Complete figures for Arab aid in 1981 are not yet available, but reliable estimates show that loan disbursements by the Vienna-based Opec Fund for Inter-

national Development (OFID) and the seven Arab national and regional agencies increased by more than a third in 1981, to about \$2,600m, compared with the previous year.

Only about a third of Arab aid disbursements are normally channelled through national agencies. The rest is provided on a government-to-government basis or through pan-Arab, Opec and regional and world agencies. The biggest pan-Arab agency is the Kuwait-based Arab Fund for Economic and Social Development (AFESD), set up in 1973. It now has a capital of KD400m (\$1,400m) and had disbursed nearly \$1,470m by the end of 1981. Another pan-Arab agency, the Khartoum-based Arab Bank for Economic Development in Africa (ABEDA), also set up in 1973, lends only to non-African states. By the end of 1981, the bank had provided loans and grants totalling about \$750m.

OFID and the Jeddah-based Islamic Development Bank (IDB) are not strictly Arab, but still receive most of their funds from Arab sources. Between 1976, when it started business, and December 1981, OFID committed \$1,942m, including \$1,305m in 267 loans. The fund, which has recently raised its capital to about \$4,000m, is expected to lend about \$700m this year. The IDB lends only to Muslim countries. By Decem-

ber 1981, it had provided credits totalling \$2,470m, of which about \$570m was disbursed in 1981.

Besides contributing to regional funds, Arab donors channel substantial sums into world agencies such as the International Monetary Fund, to which, in April 1981, Saudi Arabia, now one of the world's top donors, agreed to lend \$10,000m to help the fund to meet the rising demand for soft credit. The kingdom's aid disbursements totalled \$3,033m in 1980, nearly twice the figure for Britain.

Other big donors include Kuwait, the United Arab Emirates and Iraq. Thirteen years after starting business, KFAED, in 1974, began lending to non-Arab countries. Its disbursements to the end of 1981 totalled nearly \$3,300m. The fund, which early last year doubled its capital to KD 2,000 million (\$7,020m), disbursed \$718m in 1981, making it the biggest lender among Arab funds in that year. The United Arab Emirates provided \$1,062m in 1980 and its Abu Dhabi Fund for Arab Economic Development (ADFAED) disbursed nearly \$1,100m between 1974 and 1981. Iraq, which is rapidly becoming a major donor, provided \$554m in 1980. Its aid agency, the \$677m Iraqi Fund for External Development, disbursed about \$225m in 1981.

A.S.

Career opportunities

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To assist the underwriters in carrying out the functions outlined above. It will be expected that the applicant can demonstrate a good level of knowledge and experience. The requirements for the job fall within the broad parameters defined for the underwriters

CLAIMS MANAGER

To direct and administer the activities of the Claims Department which will investigate, where necessary, process settlement, or otherwise dispose of all claims administered by the company in compliance with the terms of each respective insurance contract.

REQUIREMENTS

At least 10 years' experience handling insurance and reinsurance claims, both property and liability and both treaty and facultative. Must have knowledge of accounting and legal contract terminology and theory. Ability to judge adequacy of reserves analytically and to communicate loss settlements and auditing of reserves. It is expected that the applicant will hold university degree or its equivalent.

CHIEF FINANCIAL AND BUDGET ACCOUNTANT

To direct and control all the financial and accounting activities of the Arab Insurance Group, including budgeting, recording of business transactions and preparations of financial reports.

REQUIREMENTS

Ten years' accounting experience in the insurance industry. Should possess C.A.C.P.A. or their equivalent. University degree in accounting required, graduate work in finance, accounting or business administration is desirable.

TREATY SENIOR ACCOUNTANT

To supervise all treaty accounting functions including accountant status and accounting file balances for individual treaty accounts.

REQUIREMENTS

General insurance industry experience with 3-4 years' exposure in total. A minimum of one year as Senior Accounts Supervisor with treaty or facultative experience.

MARKETING REPRESENTATIVES (REGIONAL)

To implement a direct marketing production plan in a specified region where 'ARIG' is opening as a direct reinsurer/insurer by selling, servicing and conserving accounts/risks that conform to the underwriting standards of 'ARIG'.

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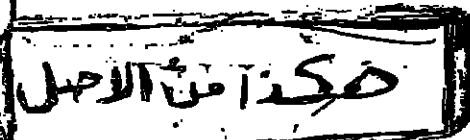
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ARAB MONEY



War risks in the Middle East. The Iraq-Iran war, which started in September 1980, drags on. Here, Iranian soldiers wait for the next Iraqi attack in the oil city of Abadan.

INSURANCE

The policies that are still hardest to sell

The recent rapid expansion of Arab insurance companies is a logical development of a sector of the Middle East economy which has lagged significantly behind locally based oil and banking industries. Islam's strictures against the principle of insurance is an important, though not the exclusive, reason why indigenous retail insurance and reinsurance capacity is well below local needs. Until very recently, most Arab countries have also lacked the expert knowledge to create an efficient industry.

Put simply, orthodox Muslims object to insurance on principle because it contains elements of *riba* (interest), *gharar* (risk/uncertainty), *juhala* (an unknown element) and *maisir* (gambling) to a degree which is incompatible with even the most liberal interpretations of the *sharia* (Islamic law). These fundamental criticisms still hold good, despite attempts by modernists to create new, Islamic institutions to provide insurance.

The industry has been most widely accepted in countries which do not rely exclusively upon interpretations of the *sharia* for guidance about the soundness of insurance. They include Algeria, Egypt, Syria and Iraq. At the other end of the spectrum are the conservative Arabian peninsula countries, notably Saudi Arabia.

In general, there is less resistance to project insurance than there is to household insurance, which in turn is more acceptable than life insurance, which continues to be the exception rather than the rule in the peninsula. Nevertheless, there has been sufficient development in local thinking about the value of insurance to make the Middle East

market one of the fastest growing in the world.

Iraq has historically had the largest risk-bearing capacity through the Iraq Reinsurance Company. It usually retains more than 50 per cent of its annual gross premium income. Egypt Reinsurance is also a significant participant in the Middle East market.

In contrast, western companies have tended to dominate both the insurance and reinsurance markets of Arabian peninsula countries. However, governments are beginning to recognize that local investors could benefit more from the flow of funds foreign insurers have enjoyed since 1973.

Booming local market

Saudi Arabia is the most significant market, generating about \$3,000m worth of premium income annually, most of which has been benefiting western economies. Local investors have been constrained by the absence of a legal entity through which insurance business can be undertaken. Since insurance as a concept does not exist in the Koran, it is impossible to create a company in Saudi Arabia specifically to participate in this activity.

Nevertheless, most Saudi ministries now require evidence that companies undertaking public sector contracts have arranged insurance cover, and the Government has discreetly encouraged local investors to participate in the booming local market. The first major indication of official approval of Saudi involvement in the industry emerged in 1979 with the unveiling of the insurance wrap-up programme for the Royal Com-

mission for Jubail and Yanbu's projects. Put together by the United States' Alexander & Alexander and Saudi Arabia's United Commercial Agencies, risks were accepted only by companies with a significant proportion of Saudi equity.

The fact that the business acquired by such companies was in turn placed with western reinsurers has not escaped the notice of local planners. This is the principle reason for the creation of the Arab Insurance Group (Arig), a Bahrain-based insurance and reinsurance exempt company which started doing business in July 1981. It is owned by Kuwait, Libya and the UAE, though the founders are prepared to accept other Arab countries as shareholders.

Capitalized at \$3,000m, Arig has set the alarm bells ringing in traditional reinsurance centres which have experienced an earnings squeeze because of substantial world over-capacity. It has also produced some concern among state-owned reinsurance companies, notably the Iraq Reinsurance. Nevertheless, international insurers accept that Arig has become a permanent feature of the industry. Lloyd's of London has been allocated 30 per cent of the company's reinsurance programme even though it has just 1 to 2 per cent of world capacity.

Getting more local involvement in the insurance industry is one of several issues that have emerged in the past decade. Another is a gradual increase in the number of public projects requiring decennial liability insurance cover. Egypt has traditionally had this requirement, but Abu Dhabi also ruled for decennial guarantees on all new government building and civil engineering contracts in 1980.

and there have been a growing number of Saudi projects subject to 10-year contractor's liability.

A further issue, and one which is unlikely to be resolved in the immediate future, is how to cope with political and war risks in the Middle East. Lloyd's underwriters decision to apply, in effect, a war risk premium on vessels travelling to the Gulf in mid-1979 focused attention on the growing rift between foreign insurance underwriters and Arab countries about the risk of doing business in the region.

Subsequent events, especially the outbreak of the Iran-Iraq war in 1980, proved Lloyd's decision was timely. However, it failed to dissipate resentment among local businessmen that traditional insurance centres were using their monopoly over had insurance business to extract excessive profits from the Middle East. The direct result has been the creation of the Arab War Risks Insurance Syndicate, which is offering capacity in this sector of the market.

With the passage of time, the differences between Middle East and Western insurance markets should become smaller, though there is little chance that all the special Middle East factors — notably reluctance in conservative countries to accept life insurance — will disappear quickly.

Most significant of the recent developments has been the emergence of local based insurance expertise and capacity. Though still lagging behind other local industries, insurance had now become a well-established feature of every economy in the region and will become steadily more important in the 1980s.

Edmund O'Sullivan
Middle East Economic Digest

BAHRAIN

Projects with probable spin-offs

Bahrain has been the focus of attention for the Gulf's political leaders since the National Day plot was uncovered in December and can expect as a result to receive greater bolstering in many spheres from fellow members of the Gulf Cooperation Council. The islands have long been the site for existing inter-Gulf industrial, financial and public service projects, of which the latest and the largest is the causeway to Saudi Arabia.

Manama bankers insist that the effects of the failed coup attempt on both flight-prone liquidity and public service lending in the region have been negligible. Since the last serious outflow of capital after the Iranian revolution in 1979, United States dollar interest rates have fallen from their peaks and instruments for preserving liquidity within the region have multiplied.

As all the Gulf states have addressed themselves to the same problem, however, steps that Bahrain's neighbours have taken at home have made it more difficult for the state's Offshore Banking Units to get hold of the regional currencies in which they originally set out to make modern-type markets. Onshore banks, for their part, have had a steady-to-good year in 1981. In an economy where so high a proportion of activity is state-engendered, domestic bankers can allow themselves greater optimism again in 1982 at the prospect of lending opportunities both from regional projects and from the Government's own four-year 2,300m dinars economic and social development programme which got underway in January this year. Meanwhile related financial services in Bahrain including commodities and securities broking, reinsurance and new specialist banks continue to diversify and innovate.

The underlying problem of outward-draining liquidity, common to all The Gulf, is not of the same degree of urgency at present as it was when dollar interest rates were at their peak, and bankers in Bahrain say they noticed no sudden new outpouring after the December excitement. During the heyday of the dollar rates, the Bahrain Monetary Agency had been obliged, like its counterparts elsewhere, to allow interest rates on the dinar to rise.

Gulf governments are always loathe to do this; on the one hand Gulf domestic bankers had previously been used to attracting deposits at comfortable low cost for so long they had come to regard that situation as normal and, on the other hand, high interest rates are even more unpopular with the public in

Muslim countries than elsewhere. Dinar rates were allowed to rise by 1 per cent in December 1980 and now range from 8½ per cent on one-month deposits to 10½ per cent for 15 months — still less than shocking internationally. In 1980 the BMA also gave banks permission to issue negotiable certificates of deposit in large denominations, a vehicle which has apparently been well received.

Domestic banks had quite a good year in 1981; measured by total consolidated balance sheets, growth was only 3.5 per cent compared with 21 per cent in 1980 but demand for borrowing is firm and profits for the year are expected to be good when announced. The admittedly atypical National Bank of Bahrain has already an-

nounced record profits, up 42 per cent on the previous year's. Lending opportunities are concentrated in construction (29 per cent of bank credit in September 1981) and trade (26 per cent) and some manufacturing, and competition is strong.

A beginning has been made on a large number of Gulf projects to be sited in Bahrain which can be expected to scatter spin-off benefits to these sectors. The Gulf Petrochemicals Industries Corporation's methanol plant at Sitra, the Arab Iron and Steel Company's pelletizing plant and the Gulf Aluminium Rolling Mills Company are examples.

Work on the deeply symbolic causeway, long awaited but not without reservations, was begun last year; proximity to Saudi Arabia is one of

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KUWAIT

Entrepreneurs with a merchant spirit

Though the multinationals of the West frequently own companies in the Third World, the reverse is not often true. So when Kuwait made its successful takeover bid last year for the United States giant Santa Fe International, it took America by surprise. It was the first time that an Arab state had taken more than a minority stake in a major United States company and heralded a new era in Kuwait's foreign investment policy.

Kuwait's overseas assets have more than doubled since 1978 and are now estimated to have topped \$76,000m. Managing this amount of cash is becoming increasingly complex and Kuwait's financial wizards have to apply their every wit to the task. Their strategy, however, is not to indulge in indiscriminate speculative ventures which might upset the economies of the West, but rather to seek investments which are above all secure. Kuwait's overseas holdings, like those of other Arab oil-producing states, are its investment for the future. The main concern, therefore, is to find outlets which will continue to furnish a steady and reliable return over many years.

For a long time now, Kuwait, a tiny state with a small population, has been producing oil well beyond its domestic financial needs as a concession to the West. To prevent these earnings from losing their value, it has been obliged to explore many investment avenues. No investment manager keeps all his eggs in one basket and Kuwait has accordingly sought to vary both the type and currency of its holdings.

The purchase of Santa Fe marked a new departure, however, for the objective was to invest in a company which was not only financially viable but which would also give Kuwait access to particular skills. Santa Fe's main activities are drilling and engineering which can complement those of Kuwait's own oil industry. Apart from being of direct help to energy development in Kuwait, the acquisition is also likely to benefit other Third World states. Many of the company's contracts in the last few years have been in developing countries, including several Arab states, with one of the group's current projects being design

and engineering for a methanol plant in Saudi Arabia.

Financial initiatives such as the Santa Fe deal should not really astonish for the entrepreneurial spirit has long been a part of Kuwait's merchant tradition. It is a state which boasts not only the world's eighth largest stock exchange but also a large number of commercial banks and investment institutions. In recent years, these have shown remarkable versatility in developing new skills and their contacts are by now worldwide.

They are now represented, for instance, in all the world's main financial centres and have a foothold in almost every continent either through their own offices or through their shares in the Arab-International Joint Venture banks like UBAF of Paris.

This international network is providing Kuwait's financial community with a wide range of clients. Both private and public Kuwait funds are thus being channelled to a variety of customers in other Arab states, industrial countries and other developing nations. Brazil, Mexico, the Philippines, Malaysia, Argentina, Venezuela and Nigeria, for instance, have all received loans from Kuwait banks.

According to independent estimates, total Arab bank lending to developing countries has increased sharply in the last two years and there is no doubt that Kuwait's banks, which are among the most active, played a big part in this. Most significantly, too, with their growing expertise, they are now more willing and able to shoulder the burden for instigating and organizing leadership roles previously played mainly by Western banks.

The setting-up, in 1980, of a big new bank, Arab Banking Corporation (ABC), by Kuwait's Finance Ministry, Libya and Abu Dhabi, undoubtedly gave a big boost to Kuwait banks' international lending. Because of its big capital, comparable with that of some of the world's biggest banks, like Citibank of the United States, ABC has been able to act as lead manager for many loans. From the start, it set out to pioneer new roles for Arab banks and

has taken the initiative, for example, in forming syndicates consisting entirely of Arab banks.

While such syndicates have been formed from time to time in the past for Arab borrowers, they are now being drawn together for other clients, such as Brazil, Turkey and Yugoslavia. This means, too, that for the first time Arab banks can formulate and act on a uniquely Arab lending policy.

Just as Kuwait's banks and finance companies have gained in international stature, so the reputation of Kuwait's currency, the Kuwaiti dinar (KD), has been enhanced. It is now a currency which foreign borrowers, keen to diversify their sources of funds, are happy to hold. This is partly because of the close link between the KD and the dollar, which means that borrowers wishing to convert KDs into dollars run little exchange risk.

International borrowers raised funds in KDs as far back as the 1960s but the market was closed two years ago to allow for a rethink. At the time, it was having unfavourable repercussions on local lending in Kuwait, making it difficult for Kuwait companies and traders to find funds. Since then the government has revised its strategy and monitors carefully the number of issues in the market.

The large number of borrowers which have come to the market since it reopened in the middle of last year, show that confidence in the KD is undiminished. Among them, for instance, has been the World Bank, which borrowed a particularly large amount, a United States firm, Union Pacific, and the City of Stockholm.

An interesting feature of some of these issues is that the interest rate on them has been allowed to rise above what was previously an upper limit of 10 per cent. The change, which should make the bonds more appealing to investors, suggests a new flexibility in Kuwait's financial policy. Finding ways for private Kuwaitis to invest their funds is one of the Government's most difficult tasks.

Margaret Greenhalgh



Floor of the Kuwait Stock Exchange. The country is increasingly taking an adventurous role in international finance, as exemplified by the purchase of Santa Fe International.

continued from facing page

the Bahrain economy's main assets. The Bahrain Government's own four-year spending programme concentrates on developing industry and services, building houses and modernizing agriculture.

The offshore banks continue to make ends meet with their cocktail of activities from pure treasury operations, lendings, syndications, financing trade related to their home countries, and project guarantees. Above all, they provide the banking services required by Saudi Arabia but not available there because of the limitations on Saudi domestic banks.

One of the OBUs' original aspirations, to develop a sophisticated market in Gulf currencies, has met with obstacles to success in view of the other Gulf states' concern to retain their own liquidity. Kuwait began the trend some years ago by making it less attractive for Kuwait banks to lend the Kuwaiti dinar to the OBUs; the UAE followed suit last year and Oman in early 1982.

Regional currencies represented \$9,900m of assets in September 1981 and liabilities of \$11,500m out of total assets/liabilities of \$46,400m, a declining proportion compared with \$8,500m of assets and \$9,600m of liabilities out of \$33,700m 12 months previously. On the other hand, Arab-world general activities have maintained an exactly steady position; they account for assets of \$23,500m and liabilities of \$31,600m out of the \$46,400m as of September, compared with assets of \$17,200m and liabilities of \$21,800m out of the total \$33,700m the year before. The figures for November 1981, just released, give the OBUs total assets of \$49,000m, a 32 per cent rise

on the end-1980 and a considerable greater growth rate than in the slow year of 1979.

New developments in banking and finance-related sectors were numerous on 1981 and the current quarter of this year. More representative office licences were granted including another to a Japanese bank which will join a large community of Japanese representative offices and institutions — two of Japan's leading securities brokers have a presence, reflecting Gulf investors' growing interest in the Far East markets. Turkey made its entry on the scene with an OBU licence. Commodity brokers as a profession came under organized supervision by the authorities for the first time. Arab Bank, the \$3,000m reinsurance company set up by Libya, Kuwait and the UAE, was ceremonially opened in October and aims for a premium income of \$100m in 1982.

One of the most innovative trends, however, has been the creation of new local and joint-venture specialist banks which take advantage of the exempt-company provisions and provide a highly-profitable medium for Gulf and Bahrain investors. Of these United Gulf Bank, the first, has an authorized capital of \$149m and made a profit of \$17.2m for its all Gulf investors last year. Kuwait and Asia Bank and the Arab-Asian Bank, specifically demonstrate local leanings towards the Far East — the latter became the first Bahrain-incorporated bank to open an outside merchant banking arm when it formed a subsidiary for that purpose in Hongkong.

Bahrain is the natural habitat for these Gulf ventures, as it was for the bank of the seven government Gulf International Bank and for

the highly-active Arab Banking Corporation, which was rated seventh worldwide in lead managerships for the first half of 1981 by Institutional Investor.

Public flotations of new companies, not only banks and investment companies — are a procedure which Gulf governments have not found easy to regulate, however. Their shares are overwhelmingly attractive to Gulf nationals, regardless of the companies' trading or operating track-record, if any. Central bankers have often expressed concern at the large amount of local capital which these companies tie up. At the beginning of February, the Monetary Authority decided to ban for a year the flotation of new publicly-owned offshore banks. Four such OBUs have already been approved and the most recently floated, Bahrain International Bank, was oversubscribed hundreds of times, as is common. Much of the money involved in such cases is from Kuwait.

Thus the OBUs on Manama are no longer exclusively the biggest international names as was the case when the experiment began in the mid-1970s. Licences and legislation are more flexible. The free transfer of capital, labour and property ownership between Gulf states is one of the basic principles of the GCC's economic agreement which was worked out early this year by the Gulf's finance ministers. However, harmonizing all the Gulf states' existing commercial laws with the agreement cannot be expected to be entirely problem-free in the long term as the GCC's activity in both this and other areas of life must be beneficial to Bahrain as a long-established regional commercial centre.

Anne Fyfe

SAUDI ARABIA

How the investor is lured out of his tent



Dish-dashas and the gas-guzzlers of Detroit. With petrol-pump prices among the world's lowest, Saudis can afford to run large American cars, as shown in this scene at the offices of the Saudi Investment Banking Corporation in Jiddah.

licences, keep reserves, stop their deposit activities and concentrate on foreign exchange transactions.

SAMA also has plans to merge the three remaining foreign banks into a single Saudiized bank, reducing the number of licensed banks in the country from 13 to 11.

And yet the majority of the financial sector is completely beyond the influence of the banks. Most major investment is financed by the Government. The Saudi Basic Industries Corporation (Sibcor), a consortium of foreign and local banks, is the obvious alternative for medium and long-term project credits, leaving only the more risky, quick-return investors knocking at the door of the commercial banks.

In spite of these constraints actual growth of the economy, Saudi Arabia is no longer pumping 20 per cent

share of the finance package if they are lucky. With smaller private industry funded up to 50 per cent by the Saudi Industrial Development Fund, and agricultural projects aided by the Agricultural Bank, only top-up finance is generally sought from the banks.

For many of these activities there is no longer any need to depend on the greater sophistication and better communications of the Bahrain OBUs. SAMA may be right in feeling that banking services in Saudi Arabia have now reached an acceptable equilibrium and that some of the loopholes need tightening up.

That could coincide with a general tightening of the economy. Saudi Arabia is no longer pumping 20 per cent

has continued at a phenomenal rate. The major areas of banking business have been import finance, foreign exchange, contract finance and project guarantees.

Some of the banks have experienced huge demands for shares in dollar denominated investment funds. SAMA has commissioned several studies on the feasibility of opening a stock exchange on the lines of the Kuwait and Jordanian models.

The goldfish bowl nature of the Saudi financial world is reflected in the slow expansion of Saudi banking interests overseas. Unlike the Kuwait, Bahrain or Abu Dhabi models there are few active entrepreneurial Saudi finance institutions overseas. Saudi International Bank in London, 50 per cent owned by SAMA, is a conservative institution, whose business centres on foreign exchange, trade finance, and discreet placement of Saudi government funds.

National Commercial Bank has a small presence in the Far East. Riyad Bank has small shareholdings in consortium banks in Europe and North and South America, but in no sense are they taking the world by storm. The most active Arab consortium bank, the Bahrain-based Arab Banking Corporation, has no Saudi shareholding. Only the privately-owned Al Saudi Banque, based in Paris, has something of the spirit of the more adventurous Kuwait and Bahrain institutions.

more oil than it needs to finance its development. The oil glut has allowed it to reduce production to a little over seven million barrels a day. Although development spending will continue, budgeting is likely to be tighter. That may, in turn encourage local companies to look for private work and private finance, rather than relying on government spending.

The capital market in Saudi Arabia is hardly more than embryonic. About 150 companies are publicly quoted, including the joint stock banks, electricity conglomerates and cement companies. Nevertheless, there has been a huge demand for some of these shares, particularly bank shares, and a secondary market has developed.

The Saudi as investor is emerging from his tent. Some of the banks have experienced huge demands for shares in dollar denominated investment funds. SAMA has commissioned several studies on the feasibility of opening a stock exchange on the lines of the Kuwait and Jordanian models.

The goldfish bowl nature of the Saudi financial world is reflected in the slow expansion of Saudi banking interests overseas. Unlike the Kuwait, Bahrain or Abu Dhabi models there are few active entrepreneurial Saudi finance institutions overseas. Saudi International Bank in London, 50 per cent owned by SAMA, is a conservative institution, whose business centres on foreign exchange, trade finance, and discreet placement of Saudi government funds.

National Commercial Bank has a small presence in the Far East. Riyad Bank has small shareholdings in consortium banks in Europe and North and South America, but in no sense are they taking the world by storm. The most active Arab consortium bank, the Bahrain-based Arab Banking Corporation, has no Saudi shareholding. Only the privately-owned Al Saudi Banque, based in Paris, has something of the spirit of the more adventurous Kuwait and Bahrain institutions.

A Special Correspondent

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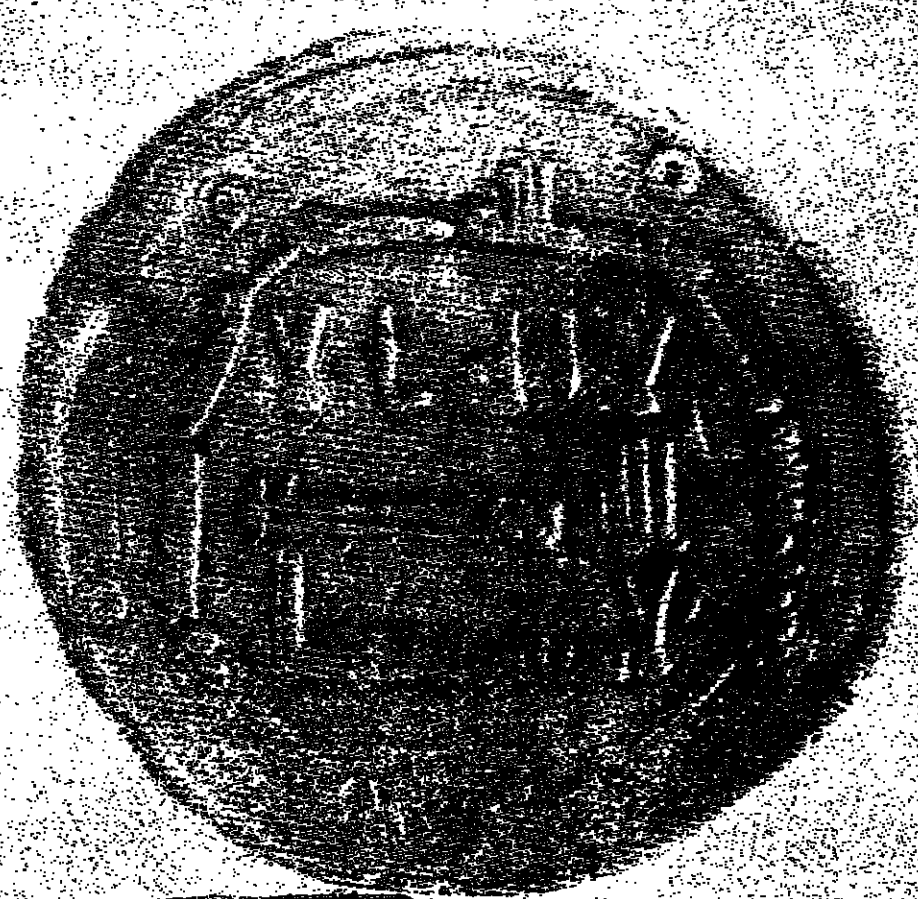
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ARAB MONEY

QATAR, UNITED ARAB EMIRATES, OMAN

Tough days ahead, but the opportunities are there

The Lower Gulf States all have similar banking environments in that domestic lending opportunities are concentrated in trade and construction, two sectors susceptible to changes in government spending policies and thus in turn to changes in oil production levels and pricing. Politically necessary low interest rates are again common and combine with narrow areas of opportunity to cause a curious combination of outwards-draining capital and sometimes highly-liquid, under-lent banks.

Qatar's case illustrates the effects both of budgetary stringency and low interest rates. Oil output was reduced in 1981 to 360,000 bpd from previous levels of about half a million barrels per day and the immediate future for prices is not bright. The latest budget, for the 18 months October 1981 to April 1983, imposed a 7 per cent reduction in total expenditure (8,362.6m Qatari rials) from the previous 12-month allocation.

Interest rates in Qatar are the lowest in The Gulf, ranging from just 3 per cent on seven-day deposits to 6½ per cent for maturities of over 12 months. Lending rates are between 7½ and 9½ per cent. Since the end of 1980 these have been fixed by the Government and not by gentleman's agreement as before. With the great differential between these and international rates and the lack of spectacular opportunities in Qatar, capital has sought homes abroad.

Talk today however is dominated by the huge North Dome gas utilization scheme and its potential spin-off value. Capital costs are already estimated to be in excess of \$6,000m. Two foreign partners are to be given a 20 per cent stake in the project between them.

Other sources of contracts will continue to be residential, office leisure developments centred on a newly reclaimed West Bay, now called New Doha, major extensions to the cement plant at Umm Bab and a women's hospital. Banking activities are not stagnant, in fact, the consolidated balance sheets of Qatar's 13 banks grew 26 per cent in the first half of 1981, though some are thought to be highly liquid.

Cut in foreign branches

Like Qatar and Oman, the UAE has a mixed foreign and local banking community but the UAE's peculiarity has long been the numerical dominance of the foreign banks. Thus the decision by the Central Bank last August to reduce the number of branches foreign banks are permitted to eight each was the major event of recent times. Of the 49 foreign banks, 28 are including the British Bank of the Middle East, Chartered, Arab Bank and the Habib Bank, will have to close a total of 89 of their existing 222 branches by the end of 1981. A few have already begun to comply.

Representative offices of new foreign banks are still welcome, however, especially from countries not well covered at present, and Japan and West Germany have already taken advantage of the renewed invitation.

The UAE Central Bank,



Qatar has some of the world's largest reserves of natural gas, which it uses to produce ammonia and urea at the Umm Said fertiliser plant (above). It has also diversified into iron and steel, petrochemicals and cement.

now 15 months old, has also been busy establishing its authority in other important areas. In a measure to protect domestic liquidity, dirham lending to non-resident banks (principally in practice the Bahrain OBU) was penalized last year when banks were obliged to lodge 15 per cent of such dirham lendings with the Central Bank interest-free, this pushed up the cost of dirhams in Bahrain and went some way to curbing outflows. Small rises in interest rates, adjustments of the dirham exchange rate and the selective offering and withdrawal of dollar swaps have been used to the same effect.

The Bank reminded the community last year that under the Central Bank law, all banks must eventually have a minimum capital of 40m dirhams, a move which has already led to the recapitalization of the Bank of the Arab Coast, one of the UAE's smallest, from 5m dirhams to 100m dirhams. A more complex and difficult measure has been the attempt to regulate the fashionable publicly-owned new investment companies, which in other Gulf states have shown an intractable tendency to indulge in paper-only operations. Minimum capitalization and above all share-dealing restrictions have now been laid down, but elsewhere in the Gulf such attempts have proved notoriously hard to enforce.

The financial atmosphere in which the banks find themselves in 1982 is one of budgetary stringency as far as federal spending is concerned, with some opportunities from the larger

emirates' own spending programmes. For 1982, the federal budget will be in the region of 22,000m dirhams against 26,000m last year. In the northern emirates, by and large, construction is not brisk and trade is rather slow, especially the re-export trade with Iran which has disappointed hopes. Several bigger local banks are looking to expand their overseas networks, particularly in the Far East.

Symptoms of a boom

Sharjah, however, long a Euro-market borrower, is attracting interest as a result of gas and oil finds at the end of 1980. The development, transportation and processing of the gas and oil plus the use of the revenue are all potential sources of opportunities. Abu Dhabi, as usual, continues to show the symptoms of a booming economy in very high rents and prices and full hotel rooms. Oil field development and new exploration provide the main contracts which generate these conditions, along with defence spending.

The National Bank of Abu Dhabi, already by far the largest UAE bank by most definitions, increased its authorized capital from 100m dirhams to 600m dirhams. NBAD became the first Arab bank in Washington when its subsidiary, Abu Dhabi International Bank, received full branch status there last May.

Oman's dramatic construction boom, fuelled by the activities of the US Corps of Engineers, started inevitably to level out somewhat in recent months but the gen-

eral level of activity remains high. Capital expenditure under the 1981 budget was allocated 300m Omani rials which was criticized as over-expansion by the IMF. Both 1982 spending and the second five-year plan (1981-85) in general may be affected by declining oil prices in the immediate future. Output is fixed at 330,000bpd but Petroleum Development Oman announced a record development budget of \$600m last year and other companies have signed concession agreements recently.

The sultanate's seven local and 13 foreign commercial banks are heavily involved in the import trade, which takes fully 53 per cent of all lending, and in construction, which takes 19 per cent. Consolidated balance sheets grew steadily to 576m Omani rials in June 1981, compared with 468.6m rials 12 months before. A specialised Agricultural Bank was created in 1981 to join the two existing banks, Oman Housing Bank and Oman Development Bank.

Although military facilities are providing many good contracts both in Oman and other Gulf states, weapons purchases and other war-related needs are absorbing an ever-greater percentage of budgets in this part of the world, a trend which is bound to continue. Coupled with the effects of dipping oil prices, this means that neither private nor public-sector spending is expected to be very high in the coming months and banks will be more inclined as a result to look to international operations for their profits.

Anne Fyfe

ALGERIA

No problems in raising funds

With its huge development programme for the 1980s, Algeria may well need to resort to world money markets for cash as it did in the last decade. Three years ago, Algeria was one of the international banks' biggest customers and with the country's excellent debt repayment record, many banks will naturally be looking for lending opportunities there.

When it does return for funds, the country should have no difficulty in raising them. In fact, Algeria rates so well with international banks that its creditors last year agreed to lower the interest on its biggest single loan — \$500m raised in 1979.

Rather than increase its vulnerability to the whims of western creditors, Algeria has preferred to consolidate existing investments and to fund, as far as possible, investment needs from domestic resources. The current five-year plan (1980-85), allowing for total expenditure of some \$104,000m, lays particular emphasis on reducing external indebtedness, which has come to be regarded as mortgaging the country's independence. As the National Charter — the textbook of Algerian socialism — says: "Financial independence is the guarantee of security of employment and the continuity of economic and social development."

Foreign borrowing has thus been limited mainly to export credits which, at a fixed rate of interest, are much cheaper than commercial loans. Because of Algeria's long-term prospects as an export market for industrial countries and these

states' corresponding zeal to gain, or strengthen, footholds there, Algeria has had no difficulty in obtaining export credits from them.

About half its external debt (of which the disbursed portion was estimated at \$17,600m at the end of 1980) is in export credits, a factor which considerably reduces the debt service burden. West Germany, France and Italy have been the most generous providers of credit but large amounts have also been received from the United States, Canada, Japan and Belgium, among others.

Concessional finance seems abundantly available as the rush to provide help for the reconstruction of El Asnam, destroyed by an earthquake in 1980, amply demonstrates. Britain's Export Credits Guarantee Department (ECGD), for example, is discussing possible provision of a large credit to finance housing contracts in Algeria and similar packages are being negotiated with other countries.

Algeria's absence from the Euro-market where, in 1978 and 1979, it borrowed more than \$5,000m in loans and bonds and became a household name for a broad spectrum of banks and other financial institutions, means that many international banks are out of fingertip touch with what is happening there. No longer called on to provide loans, foreign bankers have reduced their visits to Algeria and speak with less authority about the level of Algeria's oil and gas revenues, its debt servicing or future financing needs. All issues which at one time

kept the banking circuits buzzing.

They do know, however, that Algeria has an impeccable repayment record. Its debt servicing of \$4,200m in 1980 and an estimated \$4,600m in 1981, was paid promptly. Banks tied up in the complex reshuffling of Poland's external debt and other such international headaches, must be relieved that at least one big borrower has no problems in meeting commitments.

Though sure that Algeria will not need to borrow on the international financial market in 1982, the big banks are understandably keen to keep their channels of communication open. The renegotiation of the \$500m loan late last year was an indication of both sides' wish to maintain a dialogue. The refinancing took place because the end of the loan's availability period was fast approaching but none of it had been drawn down. Though not needing the funds immediately, Algeria foresaw an eventual requirement and thus wanted to keep its options open.

The country's ability to do without foreign finance is due partly to the enormous improvement in its revenue prospects. Oil and gas income was 8 per cent lower in 1981 than the government forecast. But at about \$13,000m it was still 20 per cent up on 1980 earnings and the outlook is for sharp growth. The start of gas deliveries to Italy through the now-completed Algeria-Italy gas pipeline, and of increased sales to France this year, will boost earnings considerably and compensate for oil output cuts and the cancellation, in

February 1981, of the major natural gas export deal with El Paso of the United States.

State expenditure, though forecast to grow by some 25 per cent in 1982, is rising more slowly than in the late seventies. The government's spending programme for education, social services and housing is vast, but there has been a sharp cutback in outlay on single large industrial plants. At least three planned gas liquefaction plants — involving some of the world's costliest technology — have been shelved in favour of natural gas export by pipeline.

Improved internal economic management is also helping both to reduce costs and to improve the international community's confidence in Algeria's ability to cope with some of the big challenges it faces. The unusually high population growth rate and consequent strains on public services, as well as the state's heavy reliance on food imports, are causes for concern. But the major restructuring of the economy, through a shift in investment options and reorganization of many state companies and institutions, including the banks, is paving the way for these obstacles to be tackled.

In a Cabinet reshuffle on January 12, former home affairs and finance ministers Boualem Ben Hamouda and Mohamed Yala swapped jobs. In their new capacities, the two should be able to share their expertise and increase coordination between the country's internal and external financial policies.

Margaret Greenhalgh

SPORT

ATHLETICS

League demands one body for athletics

By Norman Fox, Athletics Correspondent

Nigel Cooper, the new British Amateur Athletic Board general secretary who takes up his appointment on May 4, will arrive from Australia to face an immediate demand that the board be disbanded. The British Athletics League yesterday came out strongly in favour of combining all of the various bodies now organising athletics in Britain.

The idea of a single governing body has been put forward many times but always been opposed by the individual administrative associations who wish to retain their autonomy. However, polls of athletes have indicated that the present system is not satisfactory.

After studying the structure of the sport, the British Athletics League concluded that a major change was necessary. In a report issued yesterday the league said that one governing body should be formed and the board be removed.

A United Kingdom association would incorporate the Amateur Athletic Association, Welsh, Scottish and Northern Ireland Associations and the Women's Amateur Athletic Association.

The statement said: "Surely it is out of date that separate organisations for men and women should continue to exist when every all clubs are mixed. Surely the answer is for the Women's AAA to merge into a United Kingdom association with perhaps the establishment of a women's commission as an advisory body."

Pointing out that the board came into being for no other reason than to represent the UK at international level, the league says that it should be dissolved and its functions transferred to the new association.

Last year the British Athletics League found that 80 per cent of clubs who answered a questionnaire wanted a single United Kingdom organisation. The result was interpreted as meaning that the athletes were not only unhappy with the existing administration but felt the various bodies were unlikely to cope with the movement towards a form of "open athletics". Since then the AAA appears to have grown stronger in terms of finances while the board has lost David Shaw its outstanding administrator.

Mr Cooper who was appointed as Mr Shaw's successor, is still in Australia where he is registrar of a college in Brisbane and he is a Commonwealth Games administrator. He will arrive in Britain towards the end of next month. If he was not already aware of the difficulties, the Athletics League's report will make disturbing readings.

Coe wins Jesse Owens award

New York, March 9. — Sebastian Coe was named yesterday the first winner of the Jesse Owens award as the world's outstanding amateur athlete in 1981.

Coe, the Olympic 1,500 metres champion and world record holder of 800 metres and the mile, will come to New York to receive the award on March 18, the sponsors said.

Coe was an overwhelming choice for the award, receiving 50 first-place votes in a world-wide ballot of sports journalists and authorities.

Americans Ed Moses, the world 400 metres hurdles record holder, and sprinter Evelyn Ashford each received six votes but Moses came second with more second-place votes.

Other nominees included the American swimmer and Olga Rukhovich, the Soviet gymnast, each received one first-place vote. The award is named after Jesse Owens, winner of four gold medals at the 1936 Berlin Olympics, who died two years ago. — Renter.

British pair face tough match

From Michael Coleman, Milan, March 9

Wendy Hoyte and Diana Elliott, who excelled themselves in last weekend's European indoor championship, face another tough challenge in a gala night of athletics when Europe's best take on the top Americans. To great surprise, no women arrived with the United States. However, Hoyte and Elliott will have enough to cope with.

The main task for Hoyte is to hold off Lyudmila Kondratyeva (USSR), from whom she snatched the 60 metres bronze medal at the weekend. At the back of her mind she is aware that she has been away from her job with Abbey National for a while and she needs to show her worth to them.

It will be a bit tougher for Miss Elliott, whose excellent 1 metre 94 high jump last Sunday got her fifth place in the championship.

Andrea Bienes, the well-rounded East German, whose 1m99 gave her the silver behind Ulrike Meyfritz, is on show again and so is Erwin Dodner of East Germany (1m94).

The 25 long American men, among them Mel Latany, ranked second in the world last year, and Larry Myricks, outstomped only by Carl Lewis, was surprised too that no women accompanied them.

It emerges that their main reason for crossing to Europe is to take on England at Concorde this weekend, and it appears that the invitation that went out from Britain did not request women.

Durham looking for revenge

By John Clemison

Durham University, the defending champions, already have chosen tougher opposition than Exeter University in this afternoon's final of the UAU championship. The North's are contesting their 13th final and are widely expected to take the title for the sixth time, but Exeter are one of the few sides to puzzle them in modern times and Durham have lost twice to them since the Devon side amalgamated with St Luke's College.

Yet Durham, who have scored 120 points in their last four UAU matches, should gain their revenge for their recent defeat. Much depends on the fitness of Chesham, their most successful kicker, who is included in the team despite a recent shoulder injury. Although Durham are without Gordon who is still injured, the combination of Clough and Bruce-Lockhart in the centre could well be Exeter's undoing.

Even so, in what should turn out to be a high scoring game, Durham dare not underestimate

Crawl to the top: Ron Fawcett on Dinas Cromlech, Wales

As plumb line, painter's point and professional pianist play, so Ron Fawcett climbs rocks. It is his job. His business newspaper is headed unequivocally "Ron Fawcett. Rock climber" and it would be a bold claim to say that he is better at this than at his television work.

What decided Ron Fawcett to turn professional was probably his experience of climbing in Germany where commercialism is strong enough to give a full-time living to a number of top class rock climbers. "At one international get-together I was invited to, there were 2,000 spectators below the crag," he explains. "It was like a football crowd. I said I'd have a go at a particular overhang and the next I knew was the loudspeakers blaring out that Herr Fawcett will try the Blue Roof. There was a stampede to the bottom of the route. I got up, hardly getting through to hold the other end of the rope for the crush of people and television cameras. That kind of interest made me think."

He claims to be the only full-time professional climber of rocks in the country. There are plenty of mountain guides and mountain explorers who climb

The climber at the peak of his career

By Ronald Faux

technical skill to work out a complex series of moves, and then the commitment and agility to make them. "I know that if I fell off soloing (climbing without a rope) on something quite extreme I would probably die. But I put that thought completely out of my mind."

Not that his career has been fall-free. His wife, Gill, who is a graduate in pure mathematics, had also a keen rock climber, had held many of Ron's spectacular plunges. "I weigh 12 stone 4 lbs and Gill's a lot less, so that if I fell off and she's holding it, the rope force often lifts her off the ground. Sometimes she ends up higher on the crag than me."

By committing himself to harder moves on rock than most, Ron Fawcett has pushed the standard of British rock-climbing from the sixth grade, previously the highest degree of difficulty, into the seventh. There is a lot of his fearsome route at Tremadoc, Atomic Hot Rod on Dinas Cromlech, Pirana and Cool Handed Lake on Water-cum-Jolly are his most extreme contributions.

"I don't know a sport like it," he says. "You are setting yourself against something that is permanent and fixed, not like football or games that rely on teams and rule books. It is just you and a nice warm lump of solid rock. There is no sport other than that demands such incredible stamina just to remain absolutely still and safe on the steepest holds. Really the difference between staying on and falling off is so incredibly subtle."

There is also a growing popularity in Britain for climbing, especially serving the sport and documentaries about climbing. He has appeared in tweeds and pinstripes in the part of H. M. Killy, whose guide books were regarded as the epitome of lucid English. The programme was to illustrate a middle English school course. Ron Fawcett's next course will be on the North Wall of the Eiger acting the part of the late Douglas Haston in a film that is to be actually made by the face itself. It will be Ron Fawcett's first alpine route — a big impressive mountain he conceded, but really not to be compared to the overhangs and tiny razor blade holds.

ROCK CLIMBING

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RUGBY UNION

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Scotland's selectors showed their approval of the Irish when they named an unchanged side to meet Wales in Cardiff on March 20. That brings the Scots to the end of the 1982 international championship in which they can still finish joint runners-up with England.

They have used only 11 players and the changes were forced on the selectors when David Leslie broke his leg before the Irish match in Dublin.

The match may prove to be the last international for several Scottish players. Jim Renwick, the world's most capped centre, will be unavailable to tour Australia this summer.

Andy Irvine, captain of the side for the 13th time on his 49th appearance, will be 31 when the new international season starts in January. Already there is a substantial lobby for Peter Dods to be given the captaincy.

Among the forwards are rapidly catching up with pack leader Jim Aikman, aged 34, Bill Cuthbertson, 32, and Alan Thomson, 30.

Scotland keeps winning team

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Authorized Units, Insurance & Offshore Funds

This table is published on Wednesday and Saturday

1981/82	1980/81	1979/80	1978/79	1977/78	1976/77	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71	1969/70	1968/69	1967/68	1966/67	1965/66	1964/65	1963/64	1962/63	1961/62	1960/61	1959/60	1958/59	1957/58	1956/57	1955/56	1954/55	1953/54	1952/53	1951/52	1950/51	1949/50	1948/49	1947/48	1946/47	1945/46	1944/45	1943/44	1942/43	1941/42	1940/41	1939/40	1938/39	1937/38	1936/37	1935/36	1934/35	1933/34	1932/33	1931/32	1930/31	1929/30	1928/29	1927/28	1926/27	1925/26	1924/25	1923/24	1922/23	1921/22	1920/21	1919/20	1918/19	1917/18	1916/17	1915/16	1914/15	1913/14	1912/13	1911/12	1910/11	1909/10	1908/09	1907/08	1906/07	1905/06	1904/05	1903/04	1902/03	1901/02	1900/01	1899/00	1898/99	1897/98	1896/97	1895/96	1894/95	1893/94	1892/93	1891/92	1890/91	1889/90	1888/89	1887/88	1886/87	1885/86	1884/85	1883/84	1882/83	1881/82	1880/81	1879/80	1878/79	1877/78	1876/77	1875/76	1874/75	1873/74	1872/73	1871/72	1870/71	1869/70	1868/69	1867/68	1866/67	1865/66	1864/65	1863/64	1862/63	1861/62	1860/61	1859/60	1858/59	1857/58	1856/57	1855/56	1854/55	1853/54	1852/53	1851/52	1850/51	1849/50	1848/49	1847/48	1846/47	1845/46	1844/45	1843/44	1842/43	1841/42	1840/41	1839/40	1838/39	1837/38	1836/37	1835/36	1834/35	1833/34	1832/33	1831/32	1830/31	1829/30	1828/29	1827/28	1826/27	1825/26	1824/25	1823/24	1822/23	1821/22	1820/21	1819/20	1818/19	1817/18	1816/17	1815/16	1814/15	1813/14	1812/13	1811/12	1810/11	1809/10	1808/09	1807/08	1806/07	1805/06	1804/05	1803/04	1802/03	1801/02	1800/01	1799/00	1798/99	1797/98	1796/97	1795/96	1794/95	1793/94	1792/93	1791/92	1790/91	1789/90	1788/89	1787/88	1786/87	1785/86	1784/85	1783/84	1782/83	1781/82	1780/81	1779/80	1778/79	1777/78	1776/77	1775/76	1774/75	1773/74	1772/73	1771/72	1770/71	1769/70	1768/69	1767/68	1766/67	1765/66	1764/65	1763/64	1762/63	1761/62	1760/61	1759/60	1758/59	1757/58	1756/57	1755/56	1754/55	1753/54	1752/53	1751/52	1750/51	1749/50	1748/49	1747/48	1746/47	1745/46	1744/45	1743/44	1742/43	1741/42	1740/41	1739/40	1738/39	1737/38	1736/37	1735/36	1734/35	1733/34	1732/33	1731/32	1730/31	1729/30	1728/29	1727/28	1726/27	1725/26	1724/25	1723/24	1722/23	1721/22	1720/21	1719/20	1718/19	1717/18	1716/17	1715/16	1714/15	1713/14	1712/13	1711/12	1710/11	1709/10	1708/09	1707/08	1706/07	1705/06	1704/05	1703/04	1702/03	1701/02	1700/01	1699/00	1698/99	1697/98	1696/97	1695/96	1694/95	1693/94	1692/93	1691/92	1690/91	1689/90	1688/89	1687/88	1686/87	1685/86	1684/85	1683/84	1682/83	1681/82	1680/81	1679/80	1678/79	1677/78	1676/77	1675/76	1674/75	1673/74	1672/73	1671/72	1670/71	1669/70	1668/69	1667/68	1666/67	1665/66	1664/65	1663/64	1662/63	1661/62	1660/61	1659/60	1658/59	1657/58	1656/57	1655/56	1654/55	1653/54	1652/53	1651/52	1650/51	1649/50	1648/49	1647/48	1646/47	1645/46	1644/45	1643/44	1642/43	1641/42	1640/41	1639/40	1638/39	1637/38	1636/37	1635/36	1634/35	1633/34	1632/33	1631/32	1630/31	1629/30	1628/29	1627/28	1626/27	1625/26	1624/25	1623/24	1622/23	1621/22	1620/21	1619/20	1618/19	1617/18	1616/17	1615/16	1614/15	1613/14	1612/13	1611/12	1610/11	1609/10	1608/09	1607/08	1606/07	1605/06	1604/05	1603/04	1602/03	1601/02	1600/01	1599/00	1598/99	1597/98	1596/97	1595/96	1594/95	1593/94	1592/93	1591/92	1590/91	1589/90	1588/89	1587/88	1586/87	1585/86	1584/85	1583/84	1582/83	1581/82	1580/81	1579/80	1578/79	1577/78	1576/77	1575/76	1574/75	1573/74	1572/73	1571/72	1570/71	1569/70	1568/69	1567/68	1566/67	1565/66	1564/65	1563/64	1562/63	1561/62	1560/61	1559/60	1558/59	1557/58	1556/57	1555/56	1554/55	1553/54	1552/53	1551/52	1550/51	1549/50	1548/49	1547/48	1546/47	1545/46	1544/45	1543/44	1542/43	1541/42	1540/41	1539/40	1538/39	1537/38	1536/37	1535/36	1534/35	1533/34	1532/33	1531/32	1530/31	1529/30	1528/29	1527/28	1526/27	1525/26	1524/25	1523/24	1522/23	1521/22	1520/21	1519/20	1518/19	1517/18	1516/17	1515/16	1514/15	1513/14	1512/13	1511/12	1510/11	1509/10	1508/09	1507/08	1506/07	1505/06	1504/05	1503/04	1502/03	1501/02	1500/01	1499/00	1498/99	1497/98	1496/97	1495/96	1494/95	1493/94	1492/93	1491/92	1490/91	1489/90	1488/89	1487/88	1486/87	1485/86	1484/85	1483/84	1482/83	1481/82	1480/81	1479/80	1478/79	1477/78	1476/77	1475/76	1474/75	1473/74	1472/73	1471/72	1470/71	1469/70	1468/69	1467/68	1466/67	1465/66	1464/65	1463/64	1462/63	1461/62	1460/61	1459/60	1458/59	1457/58	1456/57	1455/56	1454/55	1453/54	1452/53	1451/52	1450/51	1449/50	1448/49	1447/48	1446/47	1445/46	1444/45	1443/44	1442/43	1441/42	1440/41	1439/40	1438/39	1437/38	1436/37	1435/36	1434/35	1433/34	1432/33	1431/32	1430/31	1429/30	1428/29	1427/28	1426/27	1425/26	1424/25	1423/24	1422/23	1421/22	1420/21	1419/20	1418/19	1417/18	1416/17	1415/16	1414/15	1413/14	1412/13	1411/12	1410/11	1409/10	1408/09	1407/08	1406/07	1405/06	1404/05	1403/04	1402/03	1401/02	1400/01	1399/00	1398/99	1397/98	1396/97	1395/96	1394/95	1393/94	1392/93	1391/92	1390/91	1389/90	1388/89	1387/88	1386/87	1385/86	1384/85	1383/84	1382/83	1381/82	1380/81	1379/80	1378/79	1377/78	1376/77	1375/76	1374/75	1373/74	1372/73	1371/72	1370/71	1369/70	1368/69	1367/68	1366/67	1365/66	1364/65	1363/64	1362/63	1361/62	1360/61	1359/60	1358/59	1357/58	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Today's television and radio programmes

Edited by Peter Dear

BBC 1

6.40 Open University: Project FAMOUS 7.05 Origins 7.30 *Ecology: News to Newborns* 7.55 *Clothes* 8.05 *For Schools: Colleges* 8.15 *Manufacturing in Plastic Science: Cleaning* 10.00 *You and Me For the very young (not schools)* 10.15 *Maths* 10.30 *World Economics* 11.00 *Words and Pictures* 11.17 *Music and Dance* 11.40 *Pattin in Place* 12.05 *French conversation* 12.30 *Afternoon News* with Richard Whitmore and Mike Stuart 12.57 *Regional news* (London and SE only) *Financial report* and news headlines with subtitles 1.00 *Pebble Mill* at One includes Shirley Goodie with recipes to feed a family of four on £25 a week 1.45 *Postman Pat* 2.01 *For Schools: Colleges: Dinosaurs* 2.28 *News* and *Far 2.40 Viking Raiders* 3.05 *Songs of Praise* from the Parish Church of St Mary Magdalene, Woodstock, introduced by Geoffrey Wheeler 3.40 *Play It Safe!* Child safety hints from Jimmy Savile (1.35 *Regional news* (not London))

3.55 Play School For the under fives (shown earlier on BBC 2).
4.20 Cartoons: Pige and Dixie in Scaredy Cat Dog (7).
4.25 Jackanory Ann Morrish reads part three of *The Mysterious Glass*.
4.40 Take Hart Tony Hart with his pet, Morph, look at distortion.
5.00 John Craven's Newsround.
5.10 Granddad Clive Dunn stars as the elderly caretaker.
5.35 For the Engine in The Rescue (7).
5.40 News with Richard Baker.
6.00 South East at Six.
6.25 Nationwide.
6.55 Neil Harris: Cartoon Time He introduces four cartoons - three with Dorothy and one, I'm Just Wild about Jerry, featuring Tom and Jerry.
7.25 Film: Sky Heist (1975) starring Don Meredith and Joseph Campanella, Frank Gorshin and Stefanie Powers. The story of a gold bullion theft worth \$10 million and how it was led by the helicopters of the Aero Bureau of the Los Angeles Sheriff Department. It was a pilot film for a series that was grounded.

9.00 News with John Humphrys.
9.25 The Budget For the opposition the shadow chancellor, Peter Shore.
9.35 Spotlight introduced by Harry Carpenter. The line-up at World Figure Skating Championships from Copenhagen including a special report on our world ice dance champions Jayne Torvill and Christopher Dean. The commentators are Alan Weeks and Robin Cousins. Athletics from the highlights of the International Golden Gala at the Palazzo Deho introduced by David Coleman.
10.55 News headlines.
11.00 Parkinson His only guest tonight is the well-travelled Alan Whicker who talks about his journeyings of the past quarter of a century.
12.00 Weather.

BBC 2

6.40 Open University: Maths Isomorphisms 7.05 *Primary Sources: Stratford-upon-Avon* 7.30 *Miracles at Lourdes* 7.55 *Clothes* 10.20 *Gharbar* A magazine programme of interest to Asian women 10.30 *World Economics* 11.00 *Words and Pictures* 11.17 *Music and Dance* 11.40 *Pattin in Place* 12.05 *French conversation* 12.30 *Afternoon News* with Richard Whitmore and Mike Stuart 12.57 *Regional news* (London and SE only) *Financial report* and news headlines with subtitles 1.00 *Pebble Mill* at One includes Shirley Goodie with recipes to feed a family of four on £25 a week 1.45 *Postman Pat* 2.01 *For Schools: Colleges: Dinosaurs* 2.28 *News* and *Far 2.40 Viking Raiders* 3.05 *Songs of Praise* from the Parish Church of St Mary Magdalene, Woodstock, introduced by Geoffrey Wheeler 3.40 *Play It Safe!* Child safety hints from Jimmy Savile (1.35 *Regional news* (not London))

4.20 The Circus Moves On In Cambodia. The out-of-ring life of the Circus Embrin (7).
5.10 Riccio: Bronze Statuettes The technique of Andrea Riccio (7).
5.40 Laurel and Hardy in Their Thirteenth Year (1934).
6.00 The Water Margin Adventures of legendary Chinese knights.
6.45 The Making of Maskind Part five and Richard Leakey the cave drawings of Lescaux (7).
7.35 News.
7.40 The Master Game Jeremy James presents Game Six in the International Chess tournament. Tonight Walter Browne of the United States meets the young West German Eric Lobron.
8.10 Chronicle: China - Treasures of the Cultural Revolution. A remarkable film made by the Chinese authorities charts the archaeological discoveries of the Cultural Revolution.

9.00 M*A*S*H Hawkeye hears that a surgeon he dislikes is about to be promoted to visit the 7044th. He immediately volunteers for front-line duty to escape the company of the man. But once he settles himself in the firing line he is horrified to be joined by you know who.
9.25 Nancy Astor Episode five and Nancy becomes the mistress of Clivedon on marrying Walcott Astor. She encourages his dormant political ambitions and he becomes a candidate in the unsafe seat of Plymouth.
10.15 Out of Court Nick Ross and Jane Wainman with the latest news from the Courts around the country.
10.45 The Budget The shadow chancellor, Peter Shore, replies for the opposition.
10.55 Newsnight.

ITV/LONDON

9.30 For Schools: For the hearing impaired: Flight 9.47 *Shirley* 10.00 *A visit to a plastics factory* 10.16 *A tourist trip to Saumur* 10.30 *The problems of a one-parent family* 11.02 *Slate mining in Wales* 11.20 *A school leisure centre* 11.39 *The Festival of Britain* 12.00 *Windfalls* with Jenny Kenna 12.10 *Rainbow* For the young.
12.30 News Memories introduced by Roy Hudd. His studio guest is Richard Todd, 1.00 *News*. 1.20 *Thames news*. 1.30 *Take the High Road* Drama series set on a Highland estate. 2.00 *After Noon Plus*. Among the items is a look at a company that makes clothes for people less than 5ft 2in tall. In addition Kay Avila talks about the new booklet, *School Choice* Appeal. 2.45 *The Sandbaggers*. Secret service adventures starring Roy Marsden. This week he is sent on holiday and his deputy is intimidated by the CIA (7). 3.45 *Definition*. Pete Murray and Aimee MacDonald are Don Moss's guests this week.

4.15 Cartoon Or Shuggles (7).
4.20 Animals in Action How they eat without the aid of knives and forks.
4.45 Murphy's Mob Adventures of a football club.
5.15 Enniskerry Farm Anne Beary is interviewed by a reporter.
5.45 News 6.00 *Thames news*.
6.25 Help! Mr Taylor Gee with news of courses in the Thames area that instruct ladies in self-defence.
6.35 Crossroads The motel business is explained to Alf Malik.
7.00 This is Your Life An unsuspecting celebrity receives a card of a lifetime from the man with the smile and a red book.
7.30 Coronation Street Trouble's brewing at the factory.
8.00 Starburst A lively eight-act variety show featuring singers The Nolans, Elaine Paige and Gerard Kennedy, comedians Dave Wolfe, Peter Price and Joe Longthorpe, and ventriloquist Ken Wood. Also appearing, making their television debut, is new group St Valentine's Day Orchestra.

9.00 Minder: Why Pay Tax? Terry is finding a problem. Arthur advises Barry to take an early holiday but Terry doesn't agree when he finds out that Barry is involving a pretty widow in his troubles. Starring George Cole, Dennis Waterman with Michael Medwin as the crooked books.
10.00 News.
10.30 The Budget Labour shadow chancellor, Peter Shore, replies for the Opposition.
10.40 Mid-week Sports Special Dominating the show tonight is the World Ice Skating Championship in Copenhagen. The commentator at the rink-side is Simon Reeve. In addition there is a look forward to Saturday's Football League Cup Final between Liverpool and Tottenham Hotspur.
11.40 Barney Miller investigates a Computer Crime.
12.25 Close with Ann Todd.

these qualities prefer the company of their own first cousins and whether this gives any clues to human behaviour.
CHOICE
The way they were buried they were protected from bacteria and the doctors and medical archaeologists were able to examine the bodies in minute detail. This film, made by China Films of Peking, is a breathtaking tribute to China's rich past and a salute to the skill of their modern Archaeologists.
SCIENTIFICALLY SPEAKING (Radio 3 9.00) takes a look at the way some animals choose a mate. In some cases there is no evidence of discrimination whatsoever but in others, notably the Japanese Quail, it has been established that the process of selection is a highly developed faculty. Dr Patrick Bateson of Cambridge University discusses with John Maddox the implications of his discovery that

Radio 4

6.00 News Briefing.
6.10 Farming Today.
6.30 Today.
6.37 Weather.
6.50 News.
9.00 Midweek: Henry Kelly.
10.00 News.
10.02 Gardeners' Question Time.
10.10 Daily Service.
10.15 Morning Story 'A Peasong of Strangers' by Jill Norris.
11.00 News and Travel.
11.08 Baker's Dozen.
12.00 News.
12.02 You and Yours.
12.27 Around the World in 25 years with Johnny Morris.
1.55 Weather and Travel.
2.00 The World at One.
1.40 The Archers.
2.00 News.
2.02 Women's Hour.
3.00 News and Travel.
3.02 Play 'Hamish and Max' by James Cameron.
3.50 Invasion of the Capital Phil Smith explores.
4.00 Moonshine and Dancing Stories, songs and verse about dancing.
4.45 Story Time 'The Canon in Residence' by Victor L.
5.00 News.
5.55 Weather.
6.00 News and Financial Report.
6.05 My World A panel game.
7.00 News.
7.05 The Archers.
7.45 A Little Bit of Scotland The story of the Scottish Missions in Malawi.
8.45 Film or 4. Major issues, important events at home and abroad.
9.30 News.
9.55 Weather.
10.00 The World Tonight: News - the Quote...Unquote.
10.30 Quote...Unquote.

Radio 3
6.55 Weather.
7.00 News.
7.05 Your Midweek Choice Record requests: Mozart, Stanley, Rossini, Brahms.
8.00 News.
8.05 Your Midweek Choice (continued) Ethel Smyth, Saint-Saens, Vaughan Williams.
9.00 News.
9.05 This Week's Composer Shostakovich, records.
10.00 Lindsay String Quartet Recital: Tippett, Haydn.
10.45 Philip Fowke Piano recital: Bach, Barok, Smetana, Chopin.
11.40 Northern Sinfonia of England Concert: Dvorak, Elizabeth Maconchy, Mozart.
1.00 News.
1.05 Concert Hall Direct from Broadcasting House, London. Song recital: Bart, Dvorak, Argento, Schubert, Koechlin.

FREQUENCIES: Radio 1 MF 1053kHz/285m or 1089kHz/275m. Radio 2 MF 693kHz/433m or 809kHz/330m. Radio 1/2 VHF 88-91MHz. Radio 3 VHF 90-92.5MHz. MF 1215kHz/247m. Radio 4 LF 200kHz/1500m and VHF 92-95MHz. Greater London Area MF 720kHz/417m. LBC MF 1215kHz/247m. VHF 97.3MHz. Capital MF 1548kHz/194m. VHF 95.8MHz. BBC Radio London MF 1458kHz/206m and VHF 94.9MHz. World Service MF 648kHz/463m.

REGIONAL TELEVISION VARIATIONS

BBC 1

Cymru/Wales 11.17, 11.40 *I Ysgolion* (Ffilm) 11.40-12.00 *Ysgolion* (Ffilm) 12.00-12.15 *Ysgolion* (Ffilm) 12.15-12.30 *Ysgolion* (Ffilm) 12.30-12.45 *Ysgolion* (Ffilm) 12.45-1.00 *Ysgolion* (Ffilm) 1.00-1.15 *Ysgolion* (Ffilm) 1.15-1.30 *Ysgolion* (Ffilm) 1.30-1.45 *Ysgolion* (Ffilm) 1.45-2.00 *Ysgolion* (Ffilm) 2.00-2.15 *Ysgolion* (Ffilm) 2.15-2.30 *Ysgolion* (Ffilm) 2.30-2.45 *Ysgolion* (Ffilm) 2.45-3.00 *Ysgolion* (Ffilm) 3.00-3.15 *Ysgolion* (Ffilm) 3.15-3.30 *Ysgolion* (Ffilm) 3.30-3.45 *Ysgolion* (Ffilm) 3.45-4.00 *Ysgolion* (Ffilm) 4.00-4.15 *Ysgolion* (Ffilm) 4.15-4.30 *Ysgolion* (Ffilm) 4.30-4.45 *Ysgolion* (Ffilm) 4.45-5.00 *Ysgolion* (Ffilm) 5.00-5.15 *Ysgolion* (Ffilm) 5.15-5.30 *Ysgolion* (Ffilm) 5.30-5.45 *Ysgolion* (Ffilm) 5.45-6.00 *Ysgolion* (Ffilm) 6.00-6.15 *Ysgolion* (Ffilm) 6.15-6.30 *Ysgolion* (Ffilm) 6.30-6.45 *Ysgolion* (Ffilm) 6.45-7.00 *Ysgolion* (Ffilm) 7.00-7.15 *Ysgolion* (Ffilm) 7.15-7.30 *Ysgolion* (Ffilm) 7.30-7.45 *Ysgolion* (Ffilm) 7.45-8.00 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